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Financial reports, audited financial statements and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors on the financial statements of the United Nations funds and programmes for the financial period ended 31 December 2005

Report of the Secretary-General**

Addendum

Summary

The present report is submitted in accordance with resolution 48/216 B and contains responses from 11 United Nations funds and programmes and from the International Tribunals for Rwanda and the Former Yugoslavia. It provides information further to the comments already submitted to the Board of Auditors, which, in some cases, were included in the Board's final report to the executive heads of the respective funds and programmes. The present report excludes the United Nations Office for Project Services since its Executive Board has granted approval for the postponement of financial statements until 30 November 2006.

The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of the funds and programmes, namely the International Trade Centre UNCTAD/WTO, the United Nations University, the United Nations Development Programme, the United Nations Children's Fund, the United Nations Relief and Works Agency for Palestine Refugees in the Near East, the United Nations Institute for Training and Research, the voluntary funds administered

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by the Office of the United Nations High Commissioner for Refugees, the Fund of the United Nations Environment Programme, the United Nations Population Fund, the United Nations Human Settlements Programme, the Fund of the International Drug Control Programme, the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. Unless otherwise stated, the responses relate to the recommendations of the Board of Auditors in its reports for the period ended 31 December 2005.

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I. Introduction

1. The present report is submitted to the General Assembly in accordance with the provisions of paragraph 7 of resolution 48/216 B of 23 December 1993, whereby the Assembly requested the executive heads of the United Nations funds and programmes, at the same time as the recommendations of the Board of Auditors were submitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, to provide their responses to the Assembly and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. Given that the executive heads have concurred with almost all of the Board's recommendations and that many of their comments have been duly reflected in the report of the Board of Auditors, detailed responses are not necessarily provided for all recommendations.

3. The report also takes into consideration resolution 60/234, by which the General Assembly requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to include in future reports on the implementation of the recommendations of the Board of Auditors information on the setting of time frames, the identification of office holders and priorities for the implementation of the recommendations of the Board. In this connection, the provision of General Assembly resolution 52/212 B regarding accountability for the implementation of recommendations of the Board of Auditors that officers should be at the level of programme manager or department head, as appropriate, has been taken into account. Thus, each section of the report contains a table that shows the total number of recommendations for which each department head or equivalent is accountable. These are further analysed by showing the number of recommendations that have not been accepted, those that have been implemented and, for the remainder, whether or not time frames have been established.

4. In respect of time frames, every effort has been made by the executive heads to establish target dates to complete the implementation of recommendations. However, in a significant number of cases the executive heads consider them ongoing tasks for which target dates cannot be set for completion. Such recommendations are primarily those requesting compliance with procedures for routine functions, such as reviewing obligations, management and ageing of receivables, bank and cash management practices, and evaluation of vendors. In those cases the tables show them as ongoing.

5. With regard to prioritization, it is noted that the Board categorizes the most important recommendations as "main" recommendations. While all accepted recommendations of the Board will be implemented in a timely manner, the main recommendations will be considered of the highest priority. In addition, any recommendations related to "matters of emphasis" will be treated with the utmost urgency.

II. International Trade Centre UNCTAD/WTO

General comments

6. The position of the International Trade Centre UNCTAD/WTO (ITC) regarding the findings and recommendations is adequately reflected in the report of

the Board of Auditors on the accounts of ITC for the biennium ended 31 December 2005,[1] and the status of outstanding recommendations not yet implemented is accurate. Therefore, no specific comments are made on the recommendations and findings. It is anticipated that all recommendations will be implemented during the biennium 2006-2007 other than the three that are considered to be ongoing which are those contained in paragraphs 38, 41 and 51. The four recommendations addressed to the Secretariat are currently under review.

Time frames, office holders and priorities for implementation

7. With regard to time frames, office holders and priorities for implementation, table II.1 shows the status of the seven main recommendations made by the Board in its report, and table II.2 shows the status of all recommendations.

Table II.1
Main recommendations — responsibilities and time frames

Department responsible	Number of recommendations	Not accepted	Fully implemented	Under implementation: Ongoing	Under implementation: Under way	Under implementation: Not yet started
Executive Director's Office	1				1	
Division of Programme Support	2			1	1	
Department of Management/United Nations Secretariat	3					3
Total	7			1	3	3

Table II.2
All recommendations — responsibilities and time frames

Department responsible	Number of recommendations, as	Not accepted	Fully implemented	Under implementation: Ongoing	Under implementation: Under way	Under implementation: Not yet started
Executive Director's Office	2			1		
Division of Programme Support	7			2	3	
United Nations Secretariat	4					4
Total	13	0	0	3	6	4

[1] *Official Records of the General Assembly, Sixty-first Session, Supplement No. 5* (A/61/5), Vol. III, chap. II.

III. United Nations University

General comments

8. The United Nations University (UNU) has accepted all 15 recommendations contained in the report of the Board of Auditors on the accounts of UNU for the biennium ended 31 December 2005.[2] Of those, 33 per cent have already been implemented, and out of the remaining 10, 5 will be implemented by the end of the current biennium. The remaining 5, which are contained in paragraphs 38, 64, 68, 72 and 81, are of an ongoing nature, and therefore no target dates can be set for implementation.

Comments on specific recommendations

9. **In paragraphs 38 and 68 of its report**, the Board reiterated its recommendation that UNU consider enhancing the Financial, Budgetary and Personnel Management System (FBPMS) to make it consistent with the financial recording and reporting requirements and that UNU reprogramme FBPMS to apportion automatically the salaries of those involved in projects to expenses for research and training networks and dissemination.

10. The recommendations are accepted. However, the reprogramming of FBPMS could entail exorbitant costs which may not be sustainable for UNU. The version of the Oracle database is old and not web-based and does not qualify for further development. It is estimated that FBPMS will support UNU for the next three to four years at most and that there will then be a need to migrate to another system that includes project management and personnel management modules.

11. **In paragraph 42**, the Board reiterated its recommendation that UNU continue to use the computerized property and inventory control system to maintain and update property records and that it adopt the United Nations Common Coding System.

12. UNU notes the recommendation and will continue to explore the possibility of using a computerized property and inventory control system.

13. **In paragraph 64**, the Board reiterated its recommendation that UNU identify measurable and quantifiable targets, accomplishments and performance indicators in order to improve the performance measurement process, reflect the real performance of projects and programmes and enable the linking of physical accomplishments with financial expenditures.

14. In respect of this recommendation, UNU noted in its report dated 14 November 2005 regarding the proposed academic programme and budget for the biennium 2006-2007 (see AC/1581) that the Advisory Committee on Administrative and Budgetary Questions (ACABQ) had welcomed the considerable progress that had been made in the presentation of the document on the academic programme and budget document for 2006-2007 and noted that the table presented at the end of the section on the academic programme, which lists the outputs to be produced by subprogramme grouped by organizational unit and thematic area, could constitute

[2] Ibid., *Supplement No. 5* (A/61/5), Vol. IV, chap. II.

the baseline data for setting output targets for the future results-based budgeting framework of UNU. Furthermore, in its audit report of February 2006, the Office of Internal Oversight Services noted that the approved budget for 2004-2005 was not sufficiently results-based but that for 2006-2007, the guidelines for preparation specifically encourage organizational units to reflect a results-based budgeting approach. The report noted that it was difficult to determine expected outputs for academic activities, and even more so to link such outputs with resources utilized (inputs). The Office of Internal Oversight Services noted that results-based budgeting is an approach that UNU could achieve only over a period of time as organizational units become more conversant with the approach and identify more measurable outputs. UNU has for many years expressed willingness to sit down with external auditors to draw on their large experience and to work out such indicators, which would be adapted to the only academic research institution in the United Nations system.

15. **In paragraph 72**, the Board recommended that UNU require the programme managers of the research training centres and programmes concerned to: (a) submit periodically and regularly progress reports on ongoing projects as the basis for linking physical accomplishments with financial expenditures; (b) reassess the project situation and address possible causes of project slippages and/or deviations; (c) state the project status to the extent that it relates to the project workplan or output to allow for a proper assessment of the project's accomplishments; and (d) adopt measures to accomplish the project in accordance with the time frame and within the budget ceiling.

16. The comments in paragraph 15 above are interlinked with the Board's recommendation in paragraph 72. UNU does not think that this recommendation can be generalized to UNU, but the management will review ways to correct inconsistencies at the regional centres and programmes mentioned.

17. **In paragraph 81**, the Board recommended that UNU adhere to the provisions of rule 105.19 (a) of the Financial Regulations and Rules of the United Nations, in relation to advance payments; administrative instruction ST/AI/1999/7, in regard to terms of reference, performance evaluation reports, limits on the duration of service, medical clearances, geographical distribution and gender balance; and administrative instruction ST/AI/296, in regard to the commencement of work.

18. UNU accepts the recommendation. However, the following should be noted: UNU believes that payment of advance fees is permitted by financial rule 110.23, on the condition that the reasons for the advance are recorded. In addition, consultant performance is evaluated in accordance with UNU/ADM/2004/01, which superseded administrative instruction ST/AI/1999/7. UNU engages consultants under the provisions of the administrative instruction on consultants and individual contractors UNU/ADM/2004/01. The Rector of UNU is empowered by both the Charter of the University and by the powers delegated to him in the memorandum from the Under-Secretary-General for Administration and Management dated 11 July 1986 to set the employment conditions of consultants engaged by the University. This mandate was used to issue UNU/ADM/2004/01. Accordingly, the evaluation of a consultant's performance generally takes place at the end of the contract.

Time frames, office holders and priorities for implementation

19. With regard to time frames, office holders and priorities for implementation, table III.1 shows the status of the 8 main recommendations made by the Board in its report, and table III.2 shows the status of all recommendations.

Table III.1

Main recommendations — responsibilities and time frames

				Under implementation	
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*Target date not set*
Executive Office:						
Office of the Rector	4			2	2	
Division of Administration	4		1		1	
Total	**8**			**2**	**3**	

Table III.2

All recommendations — responsibilities and time frames

				Under implementation	
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*Target date not set*
Executive Office:						
Office of the Rector	8		2	4	2	
Division of Administration	7		3	1	3	
Total	**15**		**5**	**5**	**5**	

IV. United Nations Development Programme

General comments

20. The United Nations Development Programme (UNDP) has reviewed the report of the Board of Auditors on its accounts for the biennium ended 31 December 2005.[3] UNDP accepts all 115 audit recommendations identified by the Board. In line with resolution 60/234, all accepted recommendations have been prioritized with clear indications of target completion dates and the departments responsible for the implementation of the audit recommendations.

21. While many of the recommendations of the Board pertain to UNDP, it is noted that a number of them require close collaboration and/or harmonization with other United Nations agencies. Examples include inter-agency account reconciliations,

[3] Ibid., *Supplement No. 5A* (A/61/5/Add.1), chap. II.

inter-agency coordination with the host country, the establishment of common United Nations houses and joint offices as well as the coordination of relief efforts following the Indian Ocean tsunami.

22. In the spirit of transparency and in order to promote managerial accountability, UNDP has also established the following mechanisms and processes to strengthen its commitment to follow through on audit recommendations.

(a) Managers within the divisions are identified by name, and division heads will be accountable for the implementation of the audit recommendations;

(b) Indicators are defined and will be used as the quantitative standard before a specific audit recommendation can be considered implemented;

(c) Where a recommendation is deemed to be an ongoing function or activity, a formal review of the current process will be conducted by the specified target date;

(d) The existing quality assurance function will continue to advise the management team on emerging audit trends, root cause analysis and possible actions;

(e) The UNDP audit recommendation tracking dashboard will be enhanced to better support management oversight at Headquarters bureaux and regional bureaux.

Comments on specific recommendations

UNDP management response and audit action plan

23. The management response and action plan to implement the recommendations of the Board of Auditors are set out below, with responses to the three matters of emphasis of the Board (para. 4) followed by recommendations according to the different categories. The relevant paragraph numbers in the Board's report are provided in parentheses for ease of reference.

24. **In the area of audit management of nationally executed expenditure and programme expenditure implemented by non-governmental organizations**, which is one of three matters of emphasis (para. 4 (a)), UNDP is committed to taking a holistic approach to addressing the recommendations of the Board. As clarified with the Board, 2005 was the first year that the Office of Audit and Performance Review implemented the new requirement for auditors of nationally executed expenditure to provide quantitative assessment of the financial impact of audit opinions. While the quantitative impact of $33.5 million represents only 2.5 per cent of the nationally executed project expenditure and programme expenditure implemented by NGOs that was audited in the year 2004, UNDP is committed to pursuing all necessary avenues to mitigate the fiduciary risks entailed by the use of the modality for nationally executed expenditure and programme expenditure implemented by NGOs. At the more strategic level, UNDP will develop a concrete audit action plan for nationally executed expenditure that would address the different aspects of such project and audit management, including a move to a more risk-based audit evaluation methodology for nationally executed expenditure, a systematic implementation of the United Nations Development Group harmonized cash transfer modality, a targeted strategy for strengthening communication between

UNDP offices and auditors of nationally executed expenditure, clarification of the auditors' responsibilities, and a more effective audit follow-up mechanism. Special focus will be given to the few country offices that are systematically receiving consistently qualified audit opinions.

25. At the operational level, UNDP will continue to enhance its audit risk database to support a more risk-based approach to audits of nationally executed expenditure (para. 158); carry out the planned audit coverage of nationally executed expenditure projects as per established guidelines (para. 161); enhance its reporting of nationally executed expenditure (para. 165); clarify the terms of reference regarding the need to provide quantitative assessment of qualified audit opinions (para. 171); follow through with outstanding audit plans (para. 176) and closely follow up on qualified audits of nationally executed expenditure (para. 173).

26. **In the area of bank and cash management**, which is the other matter of emphasis by the Board (para. 4 (b)), UNDP management will give top priority to ensuring the performance of monthly bank reconciliations at the country offices and headquarters in the new biennium. As clarified with the Board, this is the first year that the accounts of UNDP for the biennium have been closed in the new global financial system (Atlas) that was rolled out to all UNDP headquarters and country offices in 2004. UNDP has been and will continue leveraging the Atlas financial data dashboard and other monitoring tools within Atlas for monitoring data cleaning and bank reconciliation at the country offices to enable regular closure of the accounts in the new biennium.

27. **In the area of Atlas implementation**, which is the third matter of emphasis of the Board (para. 4 (c)), UNDP will focus its attention on addressing the four high-priority areas identified by the Board. Specifically, UNDP will streamline the current procedures for reconciling the bank accounts of country offices with the general ledger (para. 28); ensure regular monthly bank reconciliation of global payroll with the general ledger in Atlas (para. 112); ensure regular reconciliation of the UNDP Brazil SAP trial balances to Atlas (para. 129) and develop a concrete plan for the phased migration of the Brazil office to Atlas in 2007-2008 (para. 125).

28. Other enhancements to be further explored and/or implemented in 2006-2007 include: the implementation of appropriate audit trails and/or the restrictions of users' rights to correct asset records at Atlas (para. 487); follow-up of recommendation from the Office of Audit and Performance Review review (para. 117); follow-up of key general ledger and reporting weakness identified by the Office of Audit and Performance Review (para. 95), including the enhancement of commitment control in Atlas (para. 110); the detailed investigation of differences between the general ledger and subledgers in Atlas (para. 31); the implementation of system restriction of staff to both create and approve purchase orders (para. 390); and the continuous review of the Atlas training strategy to address training gaps as identified by staff in our global staff survey (para. 101). UNDP will also take steps to improve the results of reporting by the Brazil office in Atlas (para. 137) and enhance the current process for reconciliation of data in SAP and Atlas (para. 134). UNDP will also review opportunities to leverage unused PeopleSoft modules (para. 104). It is noted that the UNDP Russian Federation country office has already completed its Atlas user security review (para. 500).

29. **In the area of financial management**, UNDP is glad to report that notwithstanding the challenges of rolling out a new global financial system in 2004,

it has successfully closed its books for the biennium ended 31 December 2005. While there is certainly room for improvement (as noted in the recommendations of the Board), it was noted that all 615 bank accounts (at headquarters and country offices) have been fully reconciled in Atlas, which has made it possible for all differences between the bank and book to be followed up. Atlas has provided greater transparency and enabled the Office of Finance to pinpoint reconciliation issues at the accounts level, which was not possible under the previous system.

30. Going forward, and in line with the recommendation of the Board, UNDP is committed to making special efforts to address the three high-priority areas identified by the Board. These include streamlining the procedures and monitoring the monthly performance of bank reconciliation at country offices (para. 26), reviewing account classifications in Atlas, monitoring the regular reconciliation of inter-fund accounts and rectifying differences at the earliest opportunity (para. 43). UNDP will continue its efforts to ensure that a process is in place to better manage trust funds in deficit and will enhance the mechanism for the prompt recovery of expenditure in access of funds received (para. 74).

31. In addition, special attention will be given to monitoring the implementation of the UNDP finance certification programme (para. 474), formalizing the revision of the internal control framework guidelines with specific directives on managerial accountability in order to ensure the segregation of duties for financial transactions and on required changes due to roll out of the electronic procurement module in Atlas (para. 484). Guidelines will also be issued for the safeguard and custody of assets (para. 490). Special efforts are also under way to enhance existing monitoring reports with ageing functionality for unapplied deposits and government advances, among others (para. 65). UNDP will also explore the alternative of using actual leave balances for the calculation of leave liability in the interim before the international professionals and service contract holders are managed within the Atlas human resources system (para. 85).

32. Other areas of improvement to be explored include establishing the process for inter-fund reconciliation with the United Nations Fund for International Partnerships, the United Nations Population Fund (para. 39), the United Nations Office for Project Services (UNOPS) (para. 42) and with the United Nations current account (para. 46). In addition, UNDP will develop a mechanism for monitoring contributions in kind at country offices (para. 55) and outstanding government contributions to local office costs (para. 60). Ongoing process improvements include the regular reconciliation of amounts due to/from United Nations accounts (para. 52), the prompt clearance of outstanding inter-agency reconciling items (para. 150) and the regular monitoring of long-outstanding advances (para. 154).

33. **In the area of human resource management**, UNDP welcomes the recommendation of the Board and will be taking steps to formalize standard leave administration practices to facilitate the accuracy of leave balances for after-service health insurance liability calculation ahead of the move towards international public sector accounting standards (para. 449). UNDP will be implementing a vacancy tracking tool that will track the various steps in the recruitment process from the vacancy announcement through to the initial offer of appointment (para. 445). In addition, UNDP will enhance the tracking feature of its web-based gender and diversity scorecard to monitor progress towards achieving the proposed gender distribution milestone (para. 437) and to meet proposed milestones for geographical

distribution (para. 442). In the area of gender targets for international Professional and national staff, UNDP is already intensifying efforts to achieve the 3:2 recruitment target so that the 50:50 gender parity target becomes a reality by 2010 (para. 439).

34. **In the area of information and communication technology management**, UNDP welcomes the recommendation by the Board to capture and monitor the cost of in-house resources for Atlas customizations (para. 107). On the recommendation of the external report on information and communication technology risk assessment, UNDP has already put in place the risk mitigation and implementation plan to address specific recommendations. All high-risk information and communication technology recommendations will be addressed before end of 2006 (para. 120).

35. **On recommendations relating to the Indian Ocean tsunami relief efforts**, several initiatives have been launched and/or are already in the pipeline. These include the establishment of surge capacity training in tsunami-affected countries. Such capacity is currently being developed and piloted under the auspices of the regional programme on capacity-building for sustainable recovery and risk reduction in tsunami-affected countries, which is managed by the UNDP Regional Centre in Bangkok with advisory support from the Bureau for Crisis Prevention and Recovery. Other initiatives include the establishment of the process and framework for the development of United Nations country team contingency plans in tsunami-affected countries (para. 322), the establishment of a database of recovery and disaster-reduction experts within UNDP (para. 337) who could be deployed to the field within a short period to assist in complex emergencies and humanitarian crises based on lessons learned from the tsunami experience (para. 344), the development of staff training programmes (para. 340) for those who are deployed within short time frames in the post-disaster phase, and the closer coordination with the Office for the Coordination of Humanitarian Affairs for financial reporting (para. 354). UNDP will also develop procurement benchmarks for crisis countries (para. 333) and plans to conduct feasibility evaluation for possible common premises and services in tsunami-affected countries.

36. **In the area of inter-agency coordination**, the United Nations Development Group Office and UNDP are committed to the promotion of greater inter-agency harmonization and more effective coordination with the other United Nations agencies in the field. Special attention will be given to the development of an improved results-based planning and budgeting system that will allow linkages between national priorities, the Millennium Development Goals and outcomes/outputs supported by each agency to be much more explicit (para. 210). The improved system will provide a solid basis for monitoring progress, both as part of the United Nations system and as individual agencies contributing to the United Nations Development Assistance Framework. This will strengthen existing efforts to have United Nations agencies comply with the United Nations Development Assistance Framework guidelines and performance assessments (para. 243). In addition, the Inter-Agency Procurement Services Office will, in conjunction with UNDP, evaluate measures to proactively support resident coordinators with regard to inter-agency collaboration at the country office level in respect of procurement (para. 266) and will share information on its practices on costing methodologies with other United Nations entities, as recommended by the Board (para. 279).

37. The United Nations Development Group Office and UNDP are jointly committed to work towards the identification and establishment of the proposed 20 joint offices by the end of 2007 (para. 258) and the roll-out of the Common Services Management System (para. 303). In addition, the United Nations Development Group Office and UNDP will continue to work closely with the Inter-Agency Procurement Working Group on the development of a common vendor database (para. 310), coordinate with the Working Group on Common Premises and Services on including a provision for updating and revising the agreements for common services at regular intervals (para. 294), encourage country offices to leverage common services experts for their regions (para. 308), consider the establishment of United Nations houses (para. 284) and, where possible, clarify the roles and responsibilities associated with establishing United Nations houses (para. 292). UNDP and the Development Group Office will put in place a process to monitor the signing of memorandums of understanding at the country level (para. 290) and procedures for monitoring any programme activities approved by the management group to be funded under the authority of the Development Group Office (para. 294).

38. The United Nations Development Group Office is currently working with the UNDP Evaluation Office and the United Nations Evaluation Group to review and revise guidelines for the monitoring and evaluation of the United Nations Development Assistance Framework, both to reflect the move to results-based planning and budgeting and to facilitate effective reporting on progress towards United Nations Development Assistance Framework outcomes by the United Nations country teams to Governments (para. 222). In addition, the United Nations Development Group Office will continue to leverage the new harmonization of cash advance transfers initiative and encourage United Nations country teams to jointly review implementing partners (para. 225). The United Nations Development Group Office is also working with the UNDP Learning Resource Centre and the United Nations Staff College to develop the training programmes outlined, providing that resources are secured from donors or from the UNDP training budget (para. 236) and develop a competency-based training course for senior United Nations leaders, including resident coordinators (para. 238). The United Nations Development Group Office will enrich the lessons learned database for resident coordinators (para. 240), review the resources needed to roll out the common services programme to remaining country offices (para. 300) and develop new guidelines for the allocation of funds to country offices for inter-agency coordination (para. 248).

39. The Inter-Agency Procurement Services Office will continue to explore opportunities to discuss its business lines with other United Nations agencies for rendering specific services, provided the business lines remain cost-efficient (para. 276), leverage its role as secretariat to the subcommittee of the High-Level Committee on Management in order to formalize the role of the Inter-Agency Procurement Working Group in promoting inter-agency coordination and improving accountability for actions (para. 268).

40. In response to the recommendation of the Board, the UNDP Russian Federation country office, in close consultation with the headquarters of the Regional Bureau for Europe and the Commonwealth of Independent States, will take steps to address the concerns raised regarding the United Nations Development Assistance Framework document (para. 215) and the harmonization of

programmatic cycles between the various United Nations agencies in the country (para. 217).

41. **In the area of internal oversight**, UNDP welcomes the recommendation for the evaluation and implementation of an enterprise risk management strategy (para. 415). UNDP has leveraged the pro bono services of an external independent firm to conduct a preliminary risk inventory and high-level road map for the implementation of enterprise risk management in UNDP. Management has already established a risk management committee that will evaluate the piloting of enterprise risk management in the organization. In line with expert advice and the experiences of other organizations, UNDP expects that the implementation of enterprise risk management will require several phases of piloting and fine tuning. It is estimated that a comprehensive corporate risk management strategy will be achieved over a three-year period. At the operational level, the Office of Audit and Performance Review has already started adopting a preliminary risk-based audit planning methodology with the purpose of improving the country office audit coverage (para. 425).

42. The Office of Audit and Performance Review will continue to expedite the filling of vacancies in the Office (para. 419), align resource levels according to audit risk assessments (para. 423) and plan and implement the audit of headquarters offices (para. 429), including audit coverage of the Treasury Division (para. 480). In addition, the Office of Audit and Performance Review will leverage the newly implemented software AutoAudit and the use of a revised template of audit reports to closely monitor the timely issuance of audit reports within the standard time frame of three months (para. 433).

43. **On matters related to the United Nations Capital Development Fund (UNCDF)**, the Fund is committed to provide updates every six months to the Executive Board on the status of its fund-raising efforts for further discussion on additional steps to be taken where those efforts are not having a positive impact on the fund balance and the financial position of UNCDF (para. 71). UNDP and UNCDF will jointly explore ways of taking advantage of the synergy between the two organizations.

44. **In the area of procurement and contract management**, UNDP is committed to the four high-priority recommendations of the Board. Specifically, the Inter-Agency Procurement Services Office will make specific and strategic efforts to promote the use of suppliers from developing countries to ensure a wider distribution of supply sources (para. 361). UNDP will progressively introduce mandatory procurement plans by September 2007 (para. 374), strengthen its ability to monitor and address cases where purchase orders are split to avoid compliance with procurement thresholds (para. 365) and implement granular Atlas user security roles to restrict the ability of a single person to both create and approve a purchase order (para. 387).

45. **On vendor management**, UNDP will formalize the directive on the suppliers' code of conduct (para. 368), institutionalize the supplier evaluation in Atlas (para. 371) and take steps to archive inactive vendors (para. 385). On contract approval, UNDP is currently taking concrete steps to improve the quality and track the timeliness of submissions to the Advisory Committee on Procurement (paras. 377 and 383) and monitor and address cases of non-compliance with Committee approval for contracts above the amount of $100,000 (para. 330). **On**

contract management, UNDP will establish benchmarks and monitor performance for contract letting (para. 395); progressively roll out the electronic procurement module to country offices in 2007 (para. 402); revise the current fraud-prevention strategy by incorporating risk mitigation factors and anti-corruption measures relating to procurement in crisis countries (para. 325); establish procedures for green procurement and for monitoring compliance (para. 396); and formalize the process for country offices to report legal cases to Headquarters and a mechanism for resident representatives to certify all legal cases (para. 406).

46. **In the area of programme and project management**, UNDP acknowledges the priority attached by the Board to monitoring the correlation between reported expenditures and the project implementation status (para. 190). At UNDP, guidance is already being provided in the results management guide (effective 1 January 2006), with training and country office support. UNDP is currently utilizing the quarterly review report in Atlas to enable country offices to correlate both financial and project progress information and will explore the possibility of using a weighted aggregate technical implementation rate for monitoring project expenditure and implementation status.

47. **In the area of project management at the country offices**, UNDP will continue its efforts to reinforce and monitor the use of SMART principles in identifying indicators for results reporting (para. 185); re-emphasize the need to maintain evidence for project evaluation (para. 179); remind country offices of the need for consistent involvement of relevant stakeholders in the selection of indicators (para. 187); and take additional steps to formalize project risk identification through the Centre for Education, Development Action and Research project (para. 182). UNDP headquarters is committed to providing added guidance to country offices on the establishment of sub-offices in Brazil and other country offices (para. 202) and new products and services to be offered by the UNDP Brazil country office (para. 144). UNDP will also conduct an assessment and establish a follow-up action plan for offices not meeting their income target for cost recovery (para. 197). The Board has taken note that a number of measures are already in place to avoid a similar loss of key documentation (para. 503).

48. **In the area of treasury management**, UNDP will continue to strengthen its efforts to move more country offices into the electronic banking interface (para. 478); monitor the optimal cash balance of country offices (para. 471); progressively roll out cash position worksheets to more country offices in 2006-2007; and explore the use of performance benchmarks for portfolio management (para. 458). UNDP will continuously apply relevant lessons learned (para. 505) and build internal capacity for regular bank reconciliation roles within the Treasury Division (para. 36). The Board has taken note that the investment accounts for Peru and Panama (as recommended by the Board) have been reclassified in the current financial statements (para. 476).

Time frames, office holders and priorities for implementation

49. UNDP has classified the Board's main recommendations as high-priority and the remainder as either medium- or low-priority. Table IV.1 shows an analysis of all recommendations broken down by the various categories described in the preceding paragraphs of the present report.

Table IV.1
Recommendations by priority

Priority	*Priority*				
	High	*Medium*	*Low*	*Total*	*Percentage*
Atlas implementation	4	10	1	15	13
Financial management	3	13		16	14
Human resource management	1	4		5	4
Information and communication technology management		2		2	2
Indian Ocean tsunami relief efforts	3	5		8	7
Inter-agency coordination	5	19		24	21
Internal oversight	2	5		7	6
Audit management of nationally executed expenditure and programme expenditure implemented by NGOs	5	1		6	5
Others — United Nations Capital Development Fund		1		1	1
Procurement and contract management	4	10	1	15	13
Project management	1	8		9	8
Treasury management	2	4	1	7	6
Total	**30**	**82**	**3**	**115**	**100**
Percentage	26	71	3	100	

50. With regard to time frames and office holders responsible for implementation, table IV.2 shows the status of the 30 main recommendations made by the Board in its report, and table IV.3 shows the status of all recommendations.

Table IV.2
Main recommendations — responsibilities and time frames

Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Under implementation*		
				Ongoing	*Target date set*	*Target date not set*
Bureau for Crisis Prevention and Recovery	2				2	
Bureau of Management	17			5	12	
Office of Audit and Performance Review	7			1	6	
Operations Support Group	1				1	

Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Under implementation*		
				Ongoing	*Target date set*	*Target date not set*
Regional Bureau for Europe and the Commonwealth of Independent States	1				1	
United Nations Development Group Office	2				2	
Total	**30**	**0**	**0**	**6**	**24**	**0**

Table IV.3
All recommendations — responsibilities and time frames

Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Under implementation*		
				Ongoing	*Target date set*	*Target date not set*
Bureau for Crisis Prevention and Recovery	3				3	
Bureau of Management	70		2	10	58	
Office of Audit and Performance Review	13			2	11	
Operations Support Group	5			1	4	
Regional Bureau for Asia and the Pacific	4				4	
Regional Bureau for Europe and the Commonwealth of Independent States	5		2		3	
Regional Bureau for Latin America and the Caribbean	2				2	
United Nations Capital Development Fund	1				1	
United Nations Development Group Office	2			1	11	
Total	**115**	**0**	**4**	**14**	**97**	**0**

V. United Nations Children's Fund

General comments

51. The United Nations Children's Fund (UNICEF) has accepted all 96 recommendations contained in the report of the Board of Auditors on its accounts for the biennium ended 31 December 2005.[4] Of these, 24 (25 per cent) have already been implemented. Of the remaining 72, 25 are considered of an ongoing nature and hence no target dates can be provided. However, target dates have been set for the other 47 recommendations.

Comments on specific recommendations

52. The actions taken or to be taken to implement the recommendations of the Board of Auditors in its report on the financial statements of UNICEF for the biennium ended 31 December 2005 are set out below.

53. **In paragraph 20**, the Board recommended that UNICEF review its allocation of resources within countries in the light of the disparity between UNICEF Board-approved strategic priorities and the allocation of supplementary funding.

54. UNICEF reports on the use of resources by medium-term strategic plan target on an annual basis in the annual report of the Executive Director and on the implementation of the modified system for allocation of regular resources on a periodic basis. UNICEF also monitors programme implementation by resource type by country on an ongoing basis. Regular resources are the foundation of UNICEF country programmes through which it provides assistance to children to meet the programme targets in the medium-term strategic plan. Supplementary funding is not allocated. It is received from donors with specific requirements and restrictions but used to extend or expand the impact of UNICEF-approved country programmes.

55. **In paragraph 21**, the Board further recommended that the UNICEF fund-raising strategy identify ways of increasing the proportion of regular resources in relation to total income.

56. UNICEF stresses to its donors the importance of increasing regular resources through the strategy of the multi-year funding framework, the holding of two annual pledging events (United Nations and UNICEF), advocacy and by illustrating results-based actions at all levels using regular resources.

57. **In paragraph 29**, the Board recommended that UNICEF consider reviewing whether it has the capacity to sustain the increase in its portfolio of supplementary funded projects.

58. UNICEF is conducting a review of the factors affecting implementation and the sustainability of further increase in the portfolio of supplementary funded projects.

59. **In paragraph 36**, the Board recommended that UNICEF review its procedure for raising and verifying unliquidated obligations for programme supplies to ensure that only valid obligations are recognized at the end of the biennium.

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[4] Ibid., *Supplement No. 5B* (A/61/5/Add.2), chap. II.

60. UNICEF will review its procedure for raising and verifying unliquidated obligations for programme supplies to ensure that only valid obligations are recognized at the end of the biennium.

61. **In paragraph 42**, the Board reiterated its recommendation that UNICEF, in cooperation with the other United Nations organizations, advocate the expeditious review of the medical insurance plan.

62. UNICEF agrees to advocate, in cooperation with the other United Nations organizations, the expeditious review of the medical insurance plan.

63. **In paragraph 47**, the Board reiterated its recommendation that UNICEF amend the presentation of its financial statements for cost recovery in statements I and IV or submit a redefinition of programme support expenditure to its Executive Board.

64. UNICEF agrees to submit a redefinition of programme support expenditure to its Executive Board.

65. **In paragraph 54**, the Board recommended that UNICEF review and improve the procedure on the disclosure of the value of its non-expendable property.

66. UNICEF has implemented a new local property management database from which the value of non-expendable property for disclosure is extracted.

67. **In paragraph 58**, the Board recommended that UNICEF conduct a comprehensive analysis of long-outstanding contribution receivables and take appropriate action.

68. UNICEF regularly reviews its long-outstanding contribution receivables and takes appropriate action to collect.

69. **In paragraph 62**, the Board reiterated its recommendation that UNICEF revise its manuals and the special supplement to its Financial Regulations and Rules.

70. The adoption of the International Public Sector Accounting Standards will require revision of the UNICEF Financial Regulations and Rules. UNICEF will work with other United Nations organizations to complete the revision. Comprehensive policy and procedural guidance — previously made accessible via manuals — will be maintained, revised and accessed via the UNICEF Intranet.

71. **In paragraph 66**, the Board recommended that the Private Sector Division review its policy on the determination of the provision for uncollectible accounts receivable and ensure that it excludes written-off receivables from provisions for uncollectible receivables.

72. UNICEF agrees to review the policy of the Private Sector Division on the determination of the provision for uncollectible accounts receivable and to ensure that the provision excludes receivables that have been written off.

73. **In paragraph 72**, the Board recommended that UNICEF attach an annex on financial reporting and transfers of funds to its agreements with National Committees.

74. UNICEF agrees to work with the National Committees to develop a financial reporting annex to the framework agreement.

75. **In paragraph 78**, the Board recommended that UNICEF harmonize the accounting treatment of private-sector fund-raising proceeds.

76. UNICEF is conducting a study of the options for harmonizing the accounting treatment of private-sector fund-raising proceeds and its implications.

77. **In paragraph 81**, the Board recommended that UNICEF calculate, monitor and make available to National Committees the overall support costs of income and expenditure to ensure that they are appropriately explained and disclosed.

78. UNICEF will work with the National Committees to ensure appropriate disclosure and explanation of the total costs of raising funds and implementing programmes.

79. **In paragraph 86**, the Board recommended that UNICEF set and monitor a target for the proportion of thematic contributions within other resources, as part of its global fund-raising strategy.

80. As part of its periodic review of the fund-raising strategy and monitoring of the medium-term strategic plan key performance indicators, UNICEF reviews the proportion of thematic contributions received in comparison with other resources received that are non-thematic.

81. **In paragraph 88**, the Board recommended that UNICEF set and monitor targets for local private-sector fund-raising in potential high-growth country offices.

82. Targets for local private-sector fund-raising in potential high-growth country offices have been set and will be monitored.

83. **In paragraph 91**, the Board recommended that UNICEF review its supply-chain management to consider the cost-effectiveness of locally manufacturing part of its products.

84. UNICEF agrees to conduct a supply-chain review to identify ways to improve cost-effectiveness and customer service. Local manufacturing will be considered as part of the review.

85. **In paragraph 99**, the Board recommended that UNICEF revise E/ICEF/Organization/Rev.3 to adapt the accountabilities of each unit to the core commitments to children in emergencies.

86. The process of revising E/ICEF/Organization/Rev.3, which included adaptation based on the core commitments to children in emergencies, is ongoing in conjunction with the organizational review.

87. **In paragraph 104,** the Board recommended that UNICEF expedite the development of its emergency "talent pool".

88. UNICEF agrees to expedite the development of the emergency talent pool.

89. **In paragraph 106,** the Board recommended that UNICEF bring the identification and recruitment of human resources for emergencies to the attention of the Inter-Agency Standing Committee.

90. UNICEF agrees to bring the issues of identification and recruitment of human resources for emergencies to the attention of the Inter-Agency Standing Committee.

91. **In paragraph 108,** the Board recommended that UNICEF establish and monitor the implementation of quality standards for emergency preparedness and response plans.

92. Quality standards have been incorporated in the streamlined emergency preparedness and response plan format and will be monitored.

93. **In paragraph 110,** the Board recommended that UNICEF consider sharing its 24-hour operations centre with other United Nations agencies.

94. The Inter-Agency Security Management Network has concluded that the mandates of the operations centres are specific to their agencies. UNICEF notes however that the Department of Safety and Security is managing a project to consolidate crisis management within the United Nations system and that the operations centre will participate fully in that project.

95. **In paragraph 113,** the Board recommended that UNICEF monitor more closely the target arrival date of emergency local orders and the date of their issuance.

96. UNICEF agrees to monitor more closely the date of issuance and target arrival date of emergency local orders.

97. **In paragraph 115,** the Board recommended that UNICEF update the Supply Division's emergency preparedness and response plan.

98. UNICEF is updating the Supply Division emergency preparedness and response plan.

99. **In paragraph 118,** the Board recommended that UNICEF set and enforce quality standards for the supply and logistics components of emergency preparedness and response plans.

100. UNICEF agrees to set and enforce quality standards for the supply and logistics components of emergency preparedness and response plans.

101. **In paragraph 121,** the Board recommended that UNICEF increase the proportion of field offices using the supply-planning module by further awareness-raising and training efforts.

102. UNICEF agrees to conduct further training and awareness-raising with the aim of increasing utilization of the supply-planning module by field offices.

103. **In paragraph 124,** the Board recommended that UNICEF update the list of approved emergency items.

104. UNICEF agrees to update the list of approved emergency items based on the outcome of the emergency workshop held in Copenhagen in June 2006.

105. **In paragraph 128,** the Board recommended that UNICEF revise long-term arrangements with suppliers after updating its approved emergency items list.

106. UNICEF agrees to revise long-term arrangements with suppliers after updating its approved emergency items list.

107. **In paragraph 130,** the Board recommended that UNICEF assess the reliability and accuracy of the Supply Division's key performance indicators, such as delivery within 48 hours for acute emergencies.

108. UNICEF has completed an assessment of the reliability and accuracy of the Supply Division key performance indicators.

109. **In paragraph 133,** the Board recommended that UNICEF comply with rules regarding the segregation of duties between certifying and approving officers.

110. UNICEF has reviewed and revised as appropriate the Supply Division workflows to ensure segregation of duties between certifying and approving officers.

111. **In paragraph 135,** the Board recommended that UNICEF regularly review all user profiles in SAP to ensure an adequate segregation of duties.

112. UNICEF agrees to regularly review all user profiles in SAP to ensure an adequate segregation of duties.

113. **In paragraph 141,** the Board recommended that UNICEF issue a guideline on investments in research and development to avoid the recurrence of advance payments for untested or faulty items, and to improve demand forecasting.

114. UNICEF agrees to issue a guideline on investments in research and development to avoid the recurrence of advance payments for untested or faulty items and to improve demand forecasting.

115. **In paragraph 144,** the Board recommended that UNICEF adopt and implement a policy that would require contracts involving significant financial commitments to be submitted to the Senior Adviser (Legal) for clearance.

116. UNICEF agrees to develop and implement guidance which requires contracts involving significant financial commitments to be submitted to the Senior Adviser, Executive Office, for approval.

117. **In paragraph 149,** the Board recommended that UNICEF review the sustainability of the increase in procurement activity of the China country office on behalf of other country offices.

118. UNICEF agrees to review the sustainability of the increase in procurement activity of the China country office on behalf of other country offices.

119. **In paragraph 157,** the Board recommended that UNICEF review its relationships with National Committees in the light of the experience of the tsunami fund-raising.

120. Following on from the experience of the tsunami, UNICEF has conducted a review of fund-raising for emergencies with the National Committees.

121. **In paragraph 159,** the Board recommended that UNICEF provide guidance to field offices on the appropriate method to structure emergency programmes for reporting purposes.

122. UNICEF agrees to provide guidance on structuring emergency programmes in order to facilitate reporting.

123. **In paragraph 163,** the Board recommended that UNICEF review its guidance on emergency preparedness and response planning to ensure that critical areas such as human resources and supply are covered in sufficient detail.

124. UNICEF agrees to review the guidance on emergency preparedness and response planning to ensure that critical areas have been covered in sufficient detail.

125. **In paragraph 165**, the Board recommended that regional offices regularly monitor the status and quality of country office emergency preparedness and response plans.

126. UNICEF agrees to ensure that regional offices monitor the status and quality of country office emergency preparedness and response plans on an annual basis.

127. **In paragraph 168**, the Board recommended that UNICEF finalize the development of its "rapid assessment manual" and share it with members of the Inter-Agency Standing Committee to form the basis of a common methodology.

128. UNICEF agrees to share the "rapid assessment manual" with the Inter-Agency Standing Committee.

129. **In paragraph 170**, the Board recommended that UNICEF assist country offices to ensure that they produce an extended assessment in compliance with the core commitments to children in emergencies.

130. UNICEF has developed and is testing, on a regional basis, a performance monitoring and reporting system for emergencies based on the core commitments to children in emergencies.

131. **In paragraph 176**, the Board recommended that UNICEF produce comprehensive multi-year budgets and workplans for utilizing funds received in excess of initial requirements.

132. UNICEF is preparing, in conjunction with annual country programme work planning, comprehensive multi-year workplans and budgets to utilize tsunami funds received in excess of initial requirements.

133. **In paragraph 179**, the Board recommended that UNICEF allocate emergency funding to field offices in the context of appeals or other validated plans.

134. UNICEF will ensure that emergency funding is allocated in accordance with appeals made or other identified needs.

135. **In paragraph 183**, the Board recommended that UNICEF systematically seek explicit donor approval to extend or modify the geographic or thematic reach of funds with which it is entrusted.

136. UNICEF agrees to seek explicit donor approval to extend or modify the geographic or thematic reach of funds with which it is entrusted.

137. **In paragraph 186**, the Board recommended that UNICEF include the management of emergency surge capacity in its strategic review of human resources.

138. UNICEF has established an interdivisional task force, within the context of the strategic review of human resources, to finalize the rapid response mechanism that would facilitate a reliable emergency response.

139. **In paragraph 188**, the Board recommended that UNICEF include the recruitment process of temporary fixed-term staff for emergencies in its strategic review of human resources.

140. UNICEF agrees to include the recruitment process for temporary fixed-term staff for emergencies in the strategic review of human resources.

141. **In paragraph 193,** the Board recommended that UNICEF improve the quality of its supply and distribution planning in emergencies in the context of avoiding wastage.

142. UNICEF has issued guidance on the proper review of emergency requisitions aimed at improving the quality of supply and distribution planning in emergencies.

143. **In paragraph 195,** the Board recommended that UNICEF identify ways of quickly assessing and raising financial and administrative capacity of implementing partners during emergencies.

144. In the context of the harmonized approach to cash transfers to implementing partners, and in collaboration with the other United Nations Development Group Executive Committee agencies, UNICEF will assess the financial and administrative capacity of its implementing partners and, based on the assessment, select the appropriate cash transfer modality by partner. The assessment procedures will apply equally to partners operating in emergency situations.

145. **In paragraph 197,** the Board recommended that UNICEF use standard rates of allowances for training sessions, workshops and other activities funded by cash assistance.

146. UNICEF agrees to establish standard allowance rates for training sessions, workshops and other activities funded by cash assistance.

147. **In paragraph 199,** the Board recommended that UNICEF improve compliance of its cash assistance in Indonesia and Sri Lanka with the requirements of Financial Circular 15, revision 3.

148. UNICEF agrees to ensure compliance with the requirements of Financial Circular 15, revision 3.

149. **In paragraph 203,** the Board recommended that UNICEF liaise with the United Nations Office for Project Services (UNOPS) to ensure that financial procedures for direct construction adequately safeguard the interests of UNICEF.

150. UNICEF agrees to liaise with UNOPS to ensure that financial procedures for direct construction adequately safeguard the interests of UNICEF.

151. **In paragraph 207,** the Board recommended that UNICEF review the means necessary to fully discharge its sectoral lead responsibilities for the relevant cluster in the Inter-Agency Standing Committee framework.

152. The UNICEF programme for building internal capacity in emergency response has been adapted to identify the key headquarters and regional office capacities that need to be strengthened in order to support country-level implementation of the Inter-Agency Standing Committee clusters in which UNICEF leads. Staff has been hired to provide coordination and leadership and to develop training and other capacity-building programmes and measurement tools.

153. **In paragraph 217,** the Board recommended that UNICEF monitor the involvement of its senior field management teams in inter-agency coordination forums.

154. UNICEF monitors involvement in inter-agency coordination by country through country office annual reports and regional analysis reports. Performance evaluation and reporting for UNICEF representatives includes an assessment of the level of participation with the United Nations country team. Within the context of

United Nations reform, the UNICEF assessment will in future be reviewed by the regional directors' team.

155. **In paragraph 218,** the Board recommended that UNICEF systematically bring unsatisfactory levels of inter-agency coordination to the attention of regional directors, of the United Nations Development Group and, where appropriate, of the High-Level Committee on Management.

156. Where regional issues, including unsatisfactory levels of inter-agency coordination, cannot be resolved within the regional directors' team, they are systematically referred to the United Nations Development Group.

157. **In paragraph 225,** the Board recommended that UNICEF, in consultation with the United Nations country team, advocate for an extension of the preferential conditions it benefits from for its accommodation in China to other United Nations agencies.

158. UNICEF, in collaboration with the United Nations Resident Coordinator, has engaged in discussions about accommodation with the Government of China, advocating as appropriate for an extension of the preferential conditions from which it benefits.

159. **In paragraph 227,** the Board recommended that UNICEF systematically advocate for joint premises to be considered by United Nations country teams when new or expanded premises are required in the context of a humanitarian crisis.

160. UNICEF advocates for joint premises where they maintain or improve cost-effectiveness and security and where their negotiation does not impede the response of UNICEF to the humanitarian crisis.

161. **In paragraph 237,** the Board recommended that UNICEF include the active involvement of the field offices in the development of common services in the criteria used to assess the performance of country representatives and liaise with the United Nations Development Group Office to determine the options available to increase the proportion of common services in field offices.

162. UNICEF monitors involvement in inter-agency coordination by country through the country office annual reports and regional analysis reports. Performance evaluation and reporting for UNICEF representatives includes an assessment of the level of participation with the United Nations country team. UNICEF participates actively in the United Nations Development Group working groups which have been formed, inter alia, to determine options available to increase the proportion of common services in field offices.

163. **In paragraph 243,** the Board recommended that UNICEF liaise with the United Nations Development Group Office to identify ways of improving the timeliness and relevance of the common country assessment/United Nations Development Assistance Framework process.

164. UNICEF participates actively in several United Nations Development Group working groups to improve the timeliness and relevance of the common country assessment/United Nations Development Assistance Framework process, specifically in the areas of revision of the guidelines, the development of lessons learned and the evaluation of experiences of the common country assessment/United Nations Development Assistance Framework, and strengthening of the global quality support and assurance system.

165. **In paragraph 247,** the Board recommended that UNICEF liaise with the Department of Peacekeeping Operations to clarify the respective mandates of UNICEF field offices and integrated peacekeeping missions in the area of child protection.

166. UNICEF will continue as an active member of various working groups of the United Nations Development Group/Executive Committee on Humanitarian Affairs which have supported inter alia the Department of Peacekeeping Operations in the preparation of guidance for integrated missions and which provide opportunities for clarifying respective mandates and expertise.

167. **In paragraph 252,** the Board recommended that UNICEF draw lessons learned from its lack of provision of inputs for joint district-level implementation of the Coordinated HIV/AIDS Response through Capacity-building and Awareness (CHARCA) project to implement corrective action for the joint United Nations HIV Northeast project.

168. Drawing from the lessons learned, corrective action has been implemented. The project, now awaiting approval from the Government of India, will be managed by one lead agency and will implement one joint workplan.

169. **In paragraph 258,** the Board recommended that UNICEF invite the United Nations country team in China to draft and approve an integrated HIV/AIDS master plan of operation that focuses on reducing programme duplication and maximizing effectiveness.

170. UNICEF, as Chair of the United Nations Theme Group on HIV/AIDS and under the guidance of the United Nations Resident Coordinator, has invited the United Nations country team to draft and approve an integrated HIV/AIDS master plan of operations that focuses on building strategic partnerships, reducing programme duplication and maximizing effectiveness. A draft plan for a United Nations joint programme has been prepared and shared with the Government of China and is expected to be finalized by September 2006.

171. **In paragraph 260,** the Board recommended that UNICEF invite the United Nations country team in China to develop projects involving joint implementation.

172. UNICEF has invited the United Nations country team in China to develop projects involving joint implementation. The draft United Nations joint programme for HIV/AIDS is expected to be finalized by September 2006.

173. **In paragraph 262,** the Board recommended that UNICEF review whether its approach to the HIV/AIDS epidemic is sufficiently closely aligned to its mandate, in order to limit overlaps with other agencies.

174. In collaborating on the preparation of the integrated HIV/AIDS master plan of operations, UNICEF considered, inter alia, alignment of approach and mandate in order to limit overlaps with other agencies.

175. **In paragraph 270,** the Board recommended that UNICEF initiate negotiations at the appropriate level to conclude a framework agreement on pharmaceutical procurement services with other relevant United Nations organizations.

176. UNICEF agrees to initiate negotiations at the appropriate level to conclude a framework agreement on pharmaceutical procurement services with other relevant United Nations organizations.

177. **In paragraph 272,** the Board recommended that the UNICEF procurement services benchmark with United Nations and other public procurement services, considering each organization's specificities, to determine whether the level of its handling charge for cost recovery is appropriate.

178. UNICEF agrees to benchmark its procurement services with United Nations and other public procurement services, considering each organization's specificities to determine whether the level of its handling charge for cost recovery is appropriate.

179. **In paragraph 277,** the Board recommended that UNICEF monitor the proportion of its purchases that take place within a collaborative United Nations framework.

180. UNICEF agrees to monitor the proportion of purchases that take place within a collaborative United Nations framework.

181. **In paragraph 279,** the Board recommended that UNICEF take further steps to encourage other United Nations agencies to use its procurement services and long-term arrangements.

182. UNICEF agrees to take further steps to encourage other United Nations agencies to use its procurement services and long-term arrangements.

183. **In paragraph 282,** the Board recommended that UNICEF endeavour to jointly purchase items of common interest with UNHCR (for example, tents, tarpaulins, blankets, collapsible jerry cans, mosquito bed nets), whenever it would result in cost or efficiency gains for the United Nations as a whole.

184. UNICEF agrees to jointly purchase items of common interest with UNHCR whenever it would result in cost or efficiency gains for the United Nations as a whole.

185. **In paragraph 294,** the Board recommended that UNICEF implement a comprehensive risk-management framework to enhance its governance and management control processes.

186. UNICEF has completed the initial assessment and is currently developing the detailed proposal for the introduction of enterprise risk management in conjunction with the organizational review.

187. **In paragraph 300,** the Board recommended that UNICEF review the terms of reference of its audit committee in line with the United Nations governance review.

188. The audit committee Charter has been reviewed and revised in line with the United Nations governance review.

189. **In paragraph 306,** the Board recommended that UNICEF support the rapid expansion of the coverage of the Office of Internal Audit of all headquarters areas, including information technology.

190. UNICEF will support the rapid expansion of internal audit coverage of headquarters divisions, including in the area of information technology. The information technology risk assessment is approaching completion.

191. **In paragraph 307,** the Board recommended that UNICEF give high priority to a review of the adequacy of the Office of Internal Audit resources in the light of the expanded coverage required and of the various options available to meet this requirement.

192. UNICEF has reviewed and increased the resources for the Office of Internal Audit for 2006. UNICEF is reviewing alternative audit options with the objective of allocating audit resources to strategically important business units.

193. **In paragraph 310**, the Board recommended that UNICEF expedite the approval of its updated anti-fraud procedures.

194. UNICEF will expedite the approval of the updated anti-fraud policy and procedures.

195. **In paragraph 313**, the Board recommended that UNICEF review its internal audit procedures and work with the Audit Committee to ensure it significantly improves its report-issuance lead time.

196. UNICEF considers the existing internal audit procedures for report issuance to be adequate and will ensure that monitoring of those procedures and reporting to the Audit Committee on report issuance is rigorous.

197. **In paragraph 317**, the Board recommended that the UNICEF Office of Internal Audit take steps to improve its internal quality assurance processes.

198. UNICEF is taking steps to reinforce current quality assurance processes in accordance with internal auditing standards. Those steps include peer review of audit files and tasking one staff member with research into emerging best practices.

199. **In paragraph 321**, the Board recommended that UNICEF update the job descriptions of its senior staff.

200. UNICEF agrees and has taken steps to update the job descriptions of its senior staff.

201. **In paragraph 323**, the Board recommended that UNICEF file performance reports for all staff members, including at the Assistant Secretary-General level and above, in compliance with United Nations staff rule 101.3 (c).

202. Performance reporting has been largely completed for 2005 and has commenced for 2006. UNICEF is discussing the performance reports for staff at the level of Assistant Secretary-General and above.

203. **In paragraph 325**, the Board recommended that UNICEF define guidelines on gifts received and given, record them and consider introducing a single, UNICEF-wide instruction to that effect.

204. UNICEF has developed criteria to record gifts and has established a consolidated gifts register which will be regularly updated. Guidance on gifts is contained in the United Nations Staff Regulations and Rules, the UNICEF human resources manual and administrative instruction entitled "Acceptance of Awards, Decorations, Gifts, Honours, Medals, Remuneration, etc.".

205. **In paragraph 328**, the Board recommended that UNICEF monitor detailed, measurable and achievable indicators for all its entities.

206. A results-based workplan has been developed and is monitored within the UNICEF Office of the Executive Director.

207. **In paragraph 331**, the Board recommended that UNICEF establish a travel plan for staff members of the Office of the Executive Director.

208. Travel planning for staff members of the Office of the Executive Director has been established.

209. **In paragraph 332,** the Board recommended that UNICEF achieve greater interchangeability among Deputy Executive Directors, in particular regarding the oversight of Divisions.

210. Owing to improvements in work and travel planning, the Deputy Executive Directors provide leadership and oversight for strategic issues with greater interchangeability.

211. **In paragraph 334,** the Board recommended that UNICEF ensure that briefing notes for the Executive Director abide by the deadlines and comply with the harmonized format.

212. UNICEF has issued guidance to all divisions and field offices on the format and timeline for the preparation of all briefing notes for the Executive Director and Deputy Executive Directors.

213. **In paragraph 340,** the Board recommended that UNICEF review the management of talking points and reports prepared by the Office of United Nations Affairs and External Relations.

214. UNICEF agrees to review the management of talking points and reports prepared by the Office of United Nations Affairs and External Relations.

215. **In paragraph 342,** the Board recommended that UNICEF draft the guidelines requested by the Human Resources Manual, chapter 6, section 2, on temporary assistance.

216. UNICEF agrees to draft the guidelines requested by the Human Resources Manual, chapter 6, section 2, on temporary assistance.

217. **In paragraph 344,** the Board recommended that UNICEF identify the reasons for the breakdown in financial controls that led to paying for temporary assistance in the absence of the required contract, and address them.

218. UNICEF agrees to review the circumstances that led to payments being made for temporary assistance without a contract and will take appropriate action.

219. **In paragraph 347,** the Board recommended that UNICEF provide senior managers with statistics regarding the timely submission of documents by their offices and divisions.

220. Starting with the annual session for 2006, statistics on the timely submission of documents to the Executive Board by UNICEF offices and divisions have been provided to the Executive Director.

221. **In paragraph 349,** the Board recommended that UNICEF propose to the Executive Board to extend the scope of the guidelines for field visits to the President's travel.

222. UNICEF agrees to propose to the Executive Board the extension of the scope of the guidelines for field visits to the President's travel.

223. **In paragraph 353,** the Board recommended that UNICEF consult United Nations Headquarters on best practices regarding the recruitment as staff members of former delegates to its Executive Board.

224. UNICEF agrees to consult United Nations Headquarters on best practices regarding the recruitment of former Executive Board representatives as staff members.

225. **In paragraph 357**, the Board recommended that UNICEF implement automated alerts and statistics on the use of information and communication technology resources.

226. UNICEF has included the development of automated alerts and statistics on the use of information technology resources in the office management plan and support budget for 2006-2007.

227. **In paragraph 359**, the Board recommended that UNICEF implement vulnerability assessment of firewalls on a more regular basis, to be determined after considering United Nations and private sector best practices in this respect.

228. UNICEF agrees to ensure that regular vulnerability assessments of firewalls are conducted within the framework of the evolving information technology security environment and budget availability.

229. **In paragraph 361**, the Board recommended that UNICEF implement logical security controls in order to strengthen the protection of computer facilities against fraud or misuse.

230. UNICEF has included the further strengthening of the existing logical security controls in the office management plan and support budget for 2006-2007.

231. **In paragraph 363**, the Board recommended that UNICEF strengthen remote access security, with due consideration of the inter-agency context.

232. UNICEF will review the final approach to strengthen remote access security adopted by the United Nations within the framework of its systems and budget availability.

233. **In paragraph 368**, the Board recommended that UNICEF ensure a proper segregation of duties in its information technology systems.

234. UNICEF understands that the segregation of duties is a key factor in the internal control framework but maintains that, as outlined in Financial Circular 34, these controls should be exercised by authorizing, certifying, approving and paying officers in fulfilment of their responsibilities.

235. **In paragraph 370**, the Board recommended that UNICEF review its policy on extended access in the production system.

236. UNICEF has reviewed its information security procedures and taken action to limit access to the production system based on functional requirements.

237. **In paragraph 379**, the Board recommended that UNICEF adopt and implement a methodology to determine the total costs, including staff costs, of its major information technology projects.

238. UNICEF agrees to monitor information and communication technology benefits, costs and risks in accordance with information technology standards and existing governance processes.

239. **In paragraph 385**, the Board recommended that UNICEF improve the documentation of its information and communication technology system selection by performing formal multi-vendor cost/benefit evaluations in compliance with UNICEF Financial Circular 19.

240. UNICEF agrees to ensure that the process of information and communication technology system selection is well documented in support of its final decision and in compliance with Financial Circular 19.

241. **In paragraph 387,** the Board recommended that UNICEF further improve its information technology quality assurance process to bring it fully into line with industry best practices.

242. UNICEF will include a quality assurance function in its information and communication technology project management commensurate with the scope and size of the project and availability of resources.

243. **In paragraph 389,** the Board recommended that UNICEF issue an instruction on the follow-up of external audit recommendations.

244. UNICEF will issue guidance on the follow-up of external audit recommendations.

Time frames, office holders and priorities for implementation

245. With regard to time frames, office holders and priorities for implementation, table V.1 shows the status of the 18 main recommendations made by the Board in its report, and table V.2 shows the status of all recommendations.

Table V.1
Main recommendations — responsibilities and time frames

				Under implementation		
Department/office responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*No target date*
Division of Financial and Administrative Management	1			1		
Division of Human Resources	1				1	
Geneva Regional Office	1		1			
Information Technology Division	1			1		
Office of the Executive Director	2				2	
Office of Internal Audit	2				2	
Programme Division	3		2		1	
Private Sector Division	1			1		
Supply Division	4			2	2	
Programme Funding Office	1			1		
Regional offices	1			1		
Total	**18**		**3**	**7**	**8**	

Table V.2
All recommendations — responsibilities and time frames

Department/office responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Under implementation*		
				Ongoing	*Target date set*	*No target date*
Division of Financial and Administrative Management	8		1	2	5	
Division of Human Resources	7			1	6	
Division of Policy and Planning	3			1	2	
Geneva Regional Office	1		1			
Information Technology Division	8		1	4	3	
Office of the Executive Director	9		5		4	
Office of Internal Audit	7		2		5	
Office of the Secretary of the Executive Board	2		1		1	
Programme Division	7		3	1	3	
Private Sector Division	5		1	1	3	
Supply Division	19		3	6	10	
Programme Funding Office	5			5		
Office of Emergency Programmes	4		1	1	2	
Regional offices	3		1	2		
Country offices	8		4	1	3	
Total	**96**		**24**	**25**	**47**	

VI. United Nations Relief and Works Agency for Palestine Refugees in the Near East

General comments

246. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) has accepted all 34 recommendations contained in the report of the Board of Auditors on the Agency's accounts for the biennium ended 31 December 2005.[5] Of these, 13 (38 per cent) have already been implemented. Responsibility has been assigned for the implementation of the remaining 21, of

[5] Ibid., *Supplement No. 5C* (A/61/5/Add.3), chap. II.

which 2 are considered of an ongoing nature and hence no target dates can be provided. However, target dates have been set for the other 19.

Comments on specific recommendations

247. **In paragraph 21**, the Board recommended that UNRWA improve its review and quality-check processes in the preparation of the financial statements to ensure fair and accurate presentation and disclosure.

248. UNRWA states that the recommendation is accepted, although it is worth mentioning that arithmetical differences in totalling figures were mostly the result of rounding differences, and others arose from the change in presentation of certain parts of the financial statements and the notes from prior biennium. The Board's recommendations were accepted and amendments made where applicable. Implementation was immediate wherever applicable.

249. **In paragraph 32**, the Board recommended that UNRWA maintain a centralized and easily accessible detailed listing of acquisitions and disposals of buildings made during a biennium.

250. UNRWA wishes to mention that owing to the voluminous nature of the original documentation of construction activities in the field offices, it may be impracticable to centralize all records pertaining to construction, land and buildings for all field offices in one place. It may be possible to provide a detailed listing consolidated by field office, but the provision of supporting documentation as well may not be practicable. However, the proposal will be studied for possible implementation once all technical and other staff concerned are consulted. This will be implemented within the 2006-2007 biennium.

251. **In paragraph 34**, the Board reiterates its recommendation that UNRWA, in conjunction with United Nations Headquarters, review the funding mechanism and targets for providing for end-of-service and post-retirement benefit liabilities in line with policies adopted by other United Nations organizations.

252. UNRWA states that the policy adopted by the Agency in not making a provision for end-of-service benefits reflects the unique circumstances in which the Agency operates, especially with regard to its mandate. This mandate usually runs for three years, and the current mandate expires in June 2008. Management feels it may render the accounts misleading if such a provision is made when in fact there is no immediate liability to that effect. The responsibility to bear the costs of paying end-of-service benefits to employees in the event that the Agency ceases to operate as a result of non-renewal of its mandate should rest with the General Assembly.

253. **In paragraph 39**, the Board recommended that UNRWA promote the internalization and awareness of its procurement standards of conduct among all staff associated with the procurement process.

254. UNRWA accepts the recommendation. While most of the procurement staff are familiar with the standards of conduct, updated by inter-office memorandum dated 21 November 2004, the Procurement and Logistics Division agrees that familiarity with those standards needs to be documented and extended to all staff associated with the procurement process. To that end, the Chief of the Procurement and Logistics Division reminded all section heads and field procurement and logistics

officers at a recent meeting held in Amman from 2 to 4 May that they must ensure that all staff involved in the procurement process reread the standards of conduct and sign an acknowledgement form stating that they have done so. The forms will be signed annually with the original documentation maintained at the job location and a copy kept centrally in the logistics, systems and procedures section offices of the Procurement and Logistics Division. Implementation was immediate and the procedure will subsequently be carried out on an annual basis.

255. **In paragraph 46,** the Board recommended that UNRWA improve the competency of its procurement staff through either continued formal training interventions or support of the completion of courses through professional institutions.

256. UNRWA agrees with the recommendation and is focusing particularly on the needs of the procurement staff in the field locations, in addition to the headquarters staff, for the upcoming year. Training is a key component of results-based organizations, and UNRWA has identified those areas that will be the focus of its capacity-building efforts. The Procurement and Logistics Division has identified procurement courses for all levels of experience and expertise for staff to attend over the next two years. Special emphasis will be made to ensure that staff located in hazardous areas receive as much training as possible.

257. The United Nations Inter-Agency Procurement Working Group and the International Training Centre have launched an Organization-wide procurement certification project to ensure that all United Nations procurement practitioners are professionally certified in their respective disciplines. One of the elements of the project is to train selected procurement specialists from the various agencies as instructors of candidates in the certification scheme.

258. In October and November of 2005, UNRWA sent four key staff members to be trained at United Nations train-the-trainer workshops. Those staff members, along with other members of the Procurement and Logistics Division management team, now form the cadre of a train-the-trainer programme for the transfer of procurement skills to more staff members.

259. In addition, the Division now has 30 staff members enrolled in the graduate diploma/flexible learning programme of the Chartered Institute of Purchasing and Supply (CIPS) at both the foundation and professional levels. Some staff from the Gaza field office were enrolled in the programme, participated in the training courses and sat for the CIPS certification testing. Unfortunately, due to a variety of reasons, those staff had to suspend their participation. The Procurement and Logistics Division is working with CIPS, the internal training cadre and the UNRWA training coordinator to ensure that training is offered and made as accessible as possible to all Procurement and Logistics Division staff in all locations. Overall, the recommendation has been implemented and the training is ongoing.

260. **In paragraph 48,** the Board recommended that UNRWA adopt and implement a code of conduct for suppliers in line with the United Nations Supplier Code of Conduct.

261. In response to paragraph 48, UNRWA states that every procurement contract with suppliers contains a clause requiring them to attest that no official of the Agency received any direct or indirect benefit arising from that particular contract.

The Procurement and Logistics Division was awaiting the final version of the United Nations Supplier Code of Conduct, which was coordinated with the United Nations Inter-Agency Procurement Working Group and now that the newest version is available, the Division is coordinating with the Office of the Legal Adviser to determine the best methodology for distribution and implementation of the contract to the UNRWA vendor community. This recommendation has been implemented.

262. **In paragraph 53,** the Board recommended that UNRWA evaluate the reasons for the lengthy procurement lead times and take appropriate action to reduce them, in line with the set guidelines. The Board further recommended that UNRWA monitor the procurement lead times on an ongoing basis and ensure that corrective actions are taken accordingly.

263. UNRWA accepts the recommendation. The management and staff of the Procurement and Logistics Division continue to focus on the reduction of procurement processing times for all functions, especially the processing times between the issuance of the purchase requisition and purchase order, the approval of purchase orders and the distribution of all documents to the suppliers. This is ongoing. During the audit, it was discovered that some of the purchase orders chosen as examples of lead-time anomalies did not actually exceed the guidelines based on some interpretations of system dates. It was not exactly clear which requisition for purchase date begins the actual procurement process. While the user can enter a requisition for purchase requirement into the system which creates a start date, the actual start for processing a requisition for purchase into a purchase order by procurement officers in headquarters or in the field offices actually occurs upon receipt of an approved requisition for purchase which occurs later, after the staff member has performed coordination and review. This is a problem with the current Reality Procurement System that will be corrected in a future procurement system. This procurement system will be purchased and implemented within the year 2006-2007 and will be integrated with the financial management system.

264. **In paragraph 57,** the Board recommended that UNRWA expedite the compilation and implementation of a comprehensive human resources plan.

265. UNRWA accepts the recommendation. UNRWA management would like to stress that the coincidence between this (and a number of other audit observations) and the choices made and approach taken by the Agency in its three-year organization development internal management reform plan (presented in draft to the UNRWA Advisory Commission on 20 June 2006) is encouraging. It is correct that UNRWA does not have in place at this time a comprehensive and detailed human resources plan, but the organization development process aims at addressing this as one of its core objectives.

266. As part of the organization development initiative, UNRWA will embark on a reform of its approach to human resources management. Seven human resources strategies have been identified:

(a) Staffing: to provide the Agency with a sustainable, competent, motivated and adaptable workforce, thereby ensuring that knowledge is retained and enhanced in the Agency;

(b) Training and development: to ensure that staff have the knowledge, skills and attitude to perform their current duties and responsibilities successfully and are prepared for challenges and opportunities;

(c) Performance management: to establish and maintain a performance management system for staff that is clear and objective, is free of bias and abuse, encourages dialogue and feedback and is consistent with the strategic objectives of the Agency, thereby ensuring that all staff perform effectively;

(d) Compensation management: to develop a competitive, motivating and cost-effective compensation system that: (i) enhances the Agency's ability to attract and retain high-calibre staff; (ii) recognizes team and individual contributions; and (iii) ensures that all posts are classified at an appropriate level in accordance with transparent, objective and equitable principles;

(e) Human resources service delivery in the field offices and at headquarters: to provide human resources services that are clear, flexible, reliable, confidential and empowering through the development of human resources capacity and user-friendly and efficient human resources policies, processes and systems;

(f) Gender equality: to develop and implement measures to enhance gender balance, particularly among senior staff; to develop policies to promote and empower women; to promote gender awareness among staff at all levels through training; to ensure that managers are accountable for achieving gender equality;

(g) Line management: to ensure that all managers are competent and accountable for their human resources management roles in partnership with the relevant human resources service providers. Terms of reference have been developed for a human resources task force, which has a lead role in developing strategy proposals for the Commissioner-General and the Management Committee. The task force, which commenced its work in February 2006, will develop the seven strategies into a number of specific initiatives in the overall context of the organization development process.

267. Implementation of the entire organization development process will start as soon as the initiatives are endorsed by the Commissioner-General and the necessary funding is received. The implementation process will commence within the 2006-2007 biennium and could go on until 2009.

268. **In paragraph 62**, UNRWA agreed with the Board's recommendation that it (a) develop a comprehensive training plan based on a formalized needs assessment and (b) allocate an appropriate budget allotment based on identified training needs.

269. UNRWA management agrees with the recommendation in respect of the need for a training plan. This matter has been extensively considered in the organization development process formulation and specifically in developing the human resources task force's seven strategies. The second part of this recommendation is also accepted, as the Agency is committed to make available the necessary resources to implement its training plans. It is worth noting that owing to financial constraints, the training budget is frequently subjected to austerity measures. However, the Agency as a whole remains highly committed to training as a central component of the organization development process, which is set for implementation beginning in 2006 subject to the availability of funds.

270. **In paragraph 64**, the Board recommended that UNRWA ensure that prior approval is obtained for overtime work and paid to staff members in line with area staff rule 101.3.

271. UNRWA accepts the recommendation. In any case where overtime was actually granted without the necessary authority, the Agency will endeavour to obtain the appropriate approvals or recover the amount in question. Implementation is immediate.

272. **In paragraph 70**, UNRWA agreed with the Board's recommendation that UNRWA (a) strictly comply with the area staff rules relating to overtime payments and (b) delegate authority in writing to the appropriate officials.

273. UNRWA accepts the recommendation. The Agency endeavours to strictly comply with the rules and regulations relating to overtime payments. Authority to authorize overtime is set out in the relevant staff rules, personnel directives and related documents on approving authorities. The Agency is in the process of updating its rules and regulations in respect of approving authorities with the objective of eliminating any perceived ambiguity regarding authority for granting overtime. In the longer term (as part of the organization development process), the Agency intends to establish a more comprehensive accountability framework that will address this and similar problems. Implementation has commenced.

274. **In paragraph 74**, the Board recommended that UNRWA continue with its efforts to fill posts within the set targets.

275. UNRWA accepts the recommendation. Regular reviews of vacant posts are requested by the Compensation and Management Services Division, headquarters Gaza. Those reviews are followed by needs analysis and evaluation of established post requirements, reporting and corrective action. Vacancy management and filling vacant posts in a timely manner are not finite activities; they require constant analysis and action. Posts may be kept vacant for six months, after which the hiring department or division should be notified by the Compensation and Management Services Division as to the need to fill the post or abolish it, unless there is strong justification for its remaining vacant for that long. Implementation is ongoing as part of the recruitment process and whenever vacancies arise.

276. **In paragraph 77**, the Board reiterated its recommendation to formalize the process of succession planning.

277. UNRWA accepts the recommendation. The need for the formalization of succession plans has been identified by the Agency. Although there is no policy in place yet, the process has commenced as far as Area Staff are concerned with the issuance in 2005 of an extension to the provisions on special leave without pay to allow Area Staff to take up secondments with other United Nations organizations for one year and return to UNRWA. Secondments, transfers, rotations and identification of training needs for the purposes of building capacity and preparing staff members for future progression and smooth succession planning within the Agency are essential and applicable to both Area and international Staff. It is worth mentioning that succession planning is also part of the seven human resources strategies. Implementation of this process has already commenced.

278. **In paragraph 84**, the Board recommended the establishment of policies and procedures on results-based management to provide for strategic planning, setting of targets, monitoring processes, promoting effective management decisions and reporting on performance.

279. UNRWA accepts the recommendation. The Budget Division of the Finance Department will again provide guidance on results-based budgeting for purposes of the preparation of the budget for the biennium 2008-2009. UNRWA agrees that on the broader topic of results-based management, policies and procedures should be established in order to enhance strategic planning, set targets, monitor processes, promote effective management decisions and report on performance. The office of the Director of Operational Support will take the lead in the preparation of those policies and procedures with the active participation of the Budget Division as required. This issue is also exhaustively covered in the Agency's response to paragraph 100 of the report of the Board of Auditors. Implementation of this is part of the organization development process, the implementation of which will start in 2006-2007.

280. **In paragraph 86**, the Board recommended that UNRWA (a) computerize its data collection and collation; (b) implement structured data validation at the appropriate level; and (c) standardize presentation of data for the Agency.

281. UNRWA states that the Area Personnel Section is in the process of developing applications to automate the processing of the Area Staff entitlements currently made manually outside the human resources management system. Additionally, it is intended to activate the child screens, update them and link them to the fact sheet of each single Area Staff member. The aim is to automate the verification of data, calculate entitlements and update data electronically and import the data directly into the human resources management and payroll system. Implementation is in progress.

282. **In paragraph 88**, the Board recommended that UNRWA update the financial management system on a timely basis and reconcile it with the Reality system to ensure that information is accurate and of value to management.

283. UNRWA accepts the recommendation. It should also be noted at this point that the Agency is in the process of acquiring a new procurement and inventory package which should replace the Reality system. This new system will be integrated with the newly implemented version 6 of the financial management system. There will be no need for reconciliation. The procurement and inventory system will be purchased and implemented in the 2006-2007 biennium.

284. **In paragraph 93**, the Board recommended that UNRWA evaluate the performance of field offices against specific targets and to report thereon accordingly.

285. UNRWA accepts the recommendation. This exercise will be led by the Director of Operational Support as part of the implementation of the organization development plan commencing in 2006.

286. **In paragraph 99**, the Board recommended that UNRWA compile a project document with an action plan, including time frames and responsibilities, for the full implementation of results-based management.

287. UNRWA accepts the recommendation. This exercise will be led by the office of the Director of Operational Support. Implementation will be within the biennium 2006-2007, depending on the availability of funding for full implementation of the organization development process.

288. **In paragraph 104**, the Board recommended that UNRWA (a) adopt a policy covering the management of all projects, and (b) set out the responsibilities of all role players and competencies and training required.

289. UNRWA accepts the recommendation. The concerns of the Board of Auditors reflected in the section of the report relating to programme and project management, as well as those raised in the preceding section related to results-based management, are by and large shared by the Agency and constitute a key element of the new UNRWA organization development process, which has been developed over the past five months and is currently being finalized. One of the four levers of change which together make up the Agency's organizational development strategy is the need to establish a programme management cycle that would provide an integrated, comprehensive, strategic and results-based approach to the way we manage our programmes, projects and activities. The programme management cycle initiative will involve strengthening the programme and project management capacity at both headquarters and the field offices in a comprehensive way, both by establishing support functions and by training and retasking existing staff. Through the programme management cycle initiative, the Agency will fully develop results-based management in relation to both programmes and projects. The programme management cycle initiative will also include the development of a proper monitoring, reporting and evaluation function within the Agency.

290. The overall objective of the programme management cycle initiative is to make optimum use of the resources at the Agency's disposal through a transparent, measurable process. More specific objectives include:

(a) Improving the targeting, coverage and quality of support and assistance;

(b) Ensuring, through participatory assessment, that actions are determined by human development requirements based on a full appreciation of the situation of the refugees;

(c) Ensuring that impact is measurable;

(d) Taking corrective action and reporting on progress against set targets by jointly monitoring activities and expenditure;

(e) Taking corrective action by evaluating field and programme elements;

(f) Ensuring that the support services provided meet the needs of programme activities.

291. The application of the programme management cycle extends to both programmes and projects. The need to strengthen project management has been recognized by UNRWA for some time. The Agency agrees with the Board of Auditors that the present project system employed in UNRWA does not meet the needs of the Agency or of donors in that it does not systematically apply project management techniques throughout the whole cycle of a project, from conception to evaluation and lessons learned. In particular, more emphasis must be placed on analysis and definition of objectives and outcomes, as well as impact assessment. Implementation will be part of the organization development process commencing in the 2006-2007 biennium.

292. **In paragraph 107**, the Board recommends that UNRWA carry forward all lessons learned through appropriate reporting in order to facilitate access and quick reference.

293. UNRWA accepts the recommendation. As stated above, the need to strengthen project management has been recognized by UNRWA for some time and is in the process of being streamlined in the context of the organization development initiative currently under way. The implementation time frame is as stated above.

294. **In paragraph 120**, the Board recommended that UNRWA revise its accounting policy for the treatment of provision for bad debt of loans, taking into account the type, geographical distribution and all risk factors affecting the recoverability of loans.

295. UNRWA accepts the recommendation. Changes were made in 2005 as per the request of the Board of Auditors as stated in note 2.2 (a) of the financial statements. In 2006, the accounting policy on the treatment of provision for bad debts will be revised. The new policy will be implemented in the preparation of the financial statements for 2006.

296. **In paragraph 126**, the Board recommended that UNRWA revise its accounting policy for the microfinance and microenterprise programme and implement the necessary adjustments to the financial management system to facilitate the accrual of investment income and compliance with international financial reporting standards.

297. UNRWA accepts the recommendation. The Agency will revise the microfinance and microenterprise programme accounting policy once it has considered all systems (the financial management system and the loan management information system) and policy implications of the move to the full accrual basis. This is planned to take place in 2006. UNRWA will ensure full compliance with the accrual basis in 2006 as recommended earlier by the microfinance and microenterprise programme Advisory Board.

298. **In paragraph 135**, the Board recommended that the UNRWA Area Staff Provident Fund make the necessary process changes in order to recognize humanitarian loans at amortized cost and to ensure compliance with International Accounting Standard 39.

299. UNRWA accepts the recommendation. According to the international financial reporting standards conceptual framework, the substance of any economic transaction should take precedence over its legal form. The Provident Fund humanitarian loan system was never intended to grant loans in any commercial sense. The substance of the Provident Fund loans is a facility that would allow the members of the Fund to have access to their individual Fund credits in the form of an advance withdrawal repayable over a number of years, depending on the humanitarian purpose of the loan. This facility was introduced to help members alleviate severe financial difficulties that could not be resolved through other means. The members can withdraw only from their individual credits in the Fund (i.e., the accumulation of the 7.5 per cent monthly salary deductions). This facility does not give the members access to the Agency's contribution (i.e., 15 per cent of the member's monthly salary paid by UNRWA). There is no risk, gain or loss to the Fund itself as a result of this arrangement. The Provident Fund loans are not

considered an investment asset. The Fund does not charge any interest for this facility.

300. The fact that the Provident Fund humanitarian loans do not carry any interest rate (commercial or otherwise) renders the effective interest rate method for amortization inapplicable, as there are no interest deductions from the repayment instalments as required by the effective rate method. The estimation of the present value of Provident Fund loans on an aggregate basis indicates that the difference between the book value and the present value of the Provident Fund loans would be immaterial relative to the overall balance sheet total and amount to $1,371,727.20.

301. Further, it is worth noting that the Provident Fund Committee, in its recent meeting on 1 June 2006, recommended, and the Commissioner-General approved, changing the designation of the Provident Fund loans in order to realign the facility with its substance; hence, effective 1 June 2006, the designation was changed to Provident Fund humanitarian repayable withdrawals.

302. Nevertheless, the feasibility of the system changes needed to facilitate compliance with the above recommendation of the Board of Auditors will be considered during 2006.

303. **In paragraph 146**, the Board recommended that UNRWA enforce (a) standardized procedures relating to requests for changes to the application systems; and (b) a concise, complete and approved change control process for emergency changes.

304. UNRWA accepts the recommendation. Requests for change procedures and emergency changes for the financial management system/human resources management/payroll system follow the standard procedures already set by the Information Systems Division. This has been already implemented.

305. **In paragraph 147**, the Board further recommended that UNRWA establish a change control committee due to the volume of changes being made to the information and communications systems.

306. UNRWA states that only the major functional and business changes with Agency-wide impact and or of a critical nature would need such a committee.

307. **In paragraph 153**, the Board reiterated its recommendation that UNRWA (a) develop, approve and promulgate a comprehensive disaster recovery plan and communicate it to all personnel; and (b) test, review and update its disaster recovery plan regularly.

308. UNRWA accepts the recommendation. Due to the shortage of resources and the current engagement of the information and communication technology Security Officer in information security policy development activities, the disaster recovery plan issue was put on hold pending the finalization of the information security policy, which, once complete, will pave the way for the development of disaster recovery and business continuity plans. This process will commence during the 2006-2007 biennium.

309. **In paragraph 157**, the Board recommended that UNRWA develop, approve, implement and update on a regular basis an information and communication technology security policy to enforce and regulate access to sensitive and confidential data and information.

310. UNRWA accepts the recommendation. An information and communication technology emergency preparedness plan was developed by the Information Systems Division in November 2002. In addition the Information Systems Division has included the development of a complete disaster recovery plan for all UNRWA information and communication technology services on its task list, but due to a shortage of resources, progress has been slow. This is being targeted to be completed within the 2006-2007 biennium.

311. **In paragraph 162**, the Board recommended that UNRWA revise its information and communication technology security in order to strengthen the computer environment logical access controls.

312. UNRWA accepts the recommendation. The Agency states that it has already initiated work on the establishment of account passwords and logon controls to be implemented and enforced via the domain accounts policy defaults. Technical instructions will be updated and issued once work is completed to reflect the new policy. Implementation has already commenced.

313. **In paragraph 165**, UNRWA agreed with the Board's recommendation to activate the auditing feature and to log the policy changes and account management events on the domain controller.

314. UNRWA accepts the recommendation. The security auditing features have been disabled on the domain controller. Changes could therefore be made to the user accounts or groups, or user accounts and groups could be created, renamed or deleted without the knowledge of the security officer. Changes could also be made to the access rights of users, groups and trusted relationship policies without being detected. Unauthorized access could thus be gained to the network without being detected. Implementation has been completed.

315. **In paragraph 172**, the Board recommended that UNRWA review the rights assigned to users/groups in order to limit the security risk exposure on the network.

316. UNRWA accepts the recommendation. However, action is pending due to lack of information technology resources. Additional resources were requested pending management approval. Implementation is to be addressed in conjunction with password policy implementation within the biennium 2006-2007.

317. **In paragraph 176**, the Board recommended that UNRWA implement adequate access controls to the application systems.

318. UNRWA states that in addition to the above comment, management wishes to bring the following to the attention of the Board of Auditors:

(a) Passwords are now mandatory following the audit recommendation;

(b) The system does not provide for the historical records of users' passwords, nor does it keep track of when they were last changed. This is a product limitation over which the Agency has no control;

(c) The need to log onto more than one computer will be restricted to those times when it is absolutely necessary;

(d) Access controls within the application exist and are fully adequate.

Time frames, office holders and priorities for implementation

319. With regard to time frames, office holders and priorities for implementation, table VI.1 shows the status of the 17 main recommendations made by the Board in its report, and table VI.2 shows the status of all recommendations.

Table VI.1
Main recommendations — responsibilities and time frames

Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Under implementation*		
				Ongoing	*Target date set*	*Target date not set*
Finance	2	0	1	0	1	0
Procurement and Logistics Division	2	0	1	0	1	0
Administration and Human Resources	3	0	2	0	1	0
Information Systems Division	4	0	2	0	2	0
Office of the Director of Operational Support	3	0	0	0	3	0
Office of the Director of the Microfinance and Microenterprise Programme	2	0	0	0	2	0
Office of the Head of Provident Fund Secretariat	1	0	0	0	1	0
Total	**17**	**0**	**6**	**0**	**11**	**0**

Table VI.2
All recommendations — responsibilities and time frames

Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Under implementation*		
				Ongoing	*Target date set*	*Target date not set*
Finance	6		3	0	3	0
Procurement and Logistics Division	5	0	2	1	2	0
Administration and Human Resources	7	0	4	1	2	0
Information Systems Division	8	0	4	0	4	0
Office of the Director of Operational Support	5	0	0	0	5	0

Department responsible	Number of recommendations	Not accepted	Fully implemented	Under implementation		
				Ongoing	Target date set	Target date not set
Office of the Director of the Microfinance and Microenterprise Programme	2	0	0	0	2	0
Office of the Head of Provident Fund Secretariat	1	0	0	0	1	0
Total	**34**	**0**	**13**	**2**	**19**	**0**

VII. United Nations Institute for Training and Research

General comments

320. The United Nations Institute for Training and Research (UNITAR) has accepted 21 of the 22 recommendations contained in the report of the Board of Auditors on the accounts of the Institute for the biennium ended 31 December 2005.[6] Two have already been implemented and the remaining 19 will be implemented during the biennium 2006-2007. The following are additional clarifications concerning the recommendations made in paragraphs 31 and 46.

Comments on specific recommendations

321. **In paragraph 31**, the Board recommended the disclosure of the updated valuation of liabilities for after-service health insurance in the notes to the financial statements of the Institute.

322. With reference to the 2004-2005 financial statements, note 6 was revised and formally provided to the Board via memo of 25 May 2006. The recommendation is therefore considered implemented.

323. **In paragraph 46**, the Board recommended that UNITAR assess the adequacy of its resources and staffing level against its actual operational needs, with a view to ensuring the optimal use of available funds and timely implementation of its activities.

324. This recommendation is not accepted. The adequacy of resources and staffing level is a management issue, not a financial one. However, the reason for the carry-over is irrelevant to the programmes' implementation capacity. Almost all donor agreements have a time frame which UNITAR upholds to the extent possible, and there are no cases of non- or late implementation due to lack of staff resources. The reason for the large carry-over is that almost all funds are paid in advance, and some projects may extend over several years.

[6] Ibid., *Supplement No. 5D* (A/61/5/Add.4), chap. II.

Time frames, office holders and priorities for implementation

325. With regard to time frames, office holders and priorities for implementation, table VII.1 shows the status of the 11 main recommendations made by the Board in its report and table VII.2 shows the status of all recommendations.

Table VII.1
Main recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*No target date*
Executive Director's Office	11	1	1		9	
Total	**11**	**1**	**1**		**9**	

Table VII.2
All recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*No target date*
Executive Director's Office	21	1	2		18	
Hiroshima Office for Asia and the Pacific	1				1	
Total	**22**	**1**	**2**		**19**	

VIII. Voluntary Funds administered by the Office of the United Nations High Commissioner for Refugees

General comments

326. The Office of the United Nations High Commissioner for Refugees (UNHCR) has accepted all the recommendations contained in the report of the Board of Auditors on the accounts of the Office for the biennium ended 31 December 2005[7] and assigned responsibility for their implementation. UNHCR is currently in the process of establishing plans and time frames for the implementation of the recommendations. In line with General Assembly mandates, the Office will be submitting to its Executive Committee in September 2006 a detailed report on the measures proposed or being taken. The following provides additional information concerning specific recommendations contained in the report.

[7] Ibid., *Supplement No. 5E* (A/61/5/Add.5), chap. II.

Comments on specific recommendations

327. **In paragraph 23**, the Board reiterated its recommendation made in its 2003 report that UNHCR implement a strict "staff in between assignments" policy, with a view to providing every staff member with a full-time assignment in order to limit the cost for the organization.

328. UNHCR adopted new rules and procedural guidelines for the Appointment, Postings and Promotions Board, which have been in force since May 2006. Staff members are required to apply for posts in the two biannual compendiums prior to the expiry of their standard assignment length or in the first compendium following the discontinuation or reclassification of the post they are encumbering. In a letter to all staff dated 8 March 2006, the High Commissioner announced a policy to ensure that staff members without assignments are offered posts corresponding to their grades and competency profiles.

329. **In paragraph 53**, UNHCR agreed with the Board's recommendation that it ensure that risk management is correctly performed and to compile information essential for efficient cash management.

330. UNHCR, through a fully fledged treasury information systems to be developed during the course of 2006-2007, will be able to automate the main treasury cash management functions and to integrate global cash inflows and outflows, treasury risk management, investments and foreign exchange applications. The development would also entail building Management Systems Renewal Project interfaces to banking platforms and producing standard treasury control reports. The treasury information systems would address automation of bank reconciliations, cash forecasting, foreign exchange revaluation and cash and investment accounting.

331. **In paragraph 110**, The Board recommended that UNHCR review mechanisms for the audit of expenditure incurred by its implementing partners and assess the efficiency of the new procedures introduced in 2004.

332. The UNHCR Internal Audit Service/Office of Internal Oversight Services conducted a review of the UNHCR implementing partners' audit certification of subprojects for the year 2004. The report indicated the problems of late reporting and lack of monitoring. The recommendations are under review by UNHCR and will be addressed in additional guidelines to be issued later in 2006. In this connection, UNHCR is reviewing its rules of project closure with a view to bringing forward the reporting deadlines so that audits can be done earlier. The review will be completed by the end of 2006 for possible implementation during the 2007 planning process.

333. **In paragraph 123**, UNHCR agreed with the Board's reiterated recommendation that it review the matter of project personnel arrangements and issue an instruction to ensure the compliance of the deployment schemes with the above-mentioned instruction on staff employment.

334. UNHCR, in line with a recent Office of Internal Oversight Services project staff review, agreed to follow up on the matter of additional workforce by preparing relevant policies and guidelines for the various arrangements and assign focal points that keep track of and monitor the use of additional workforces.

335. **In paragraph 134**, the Board recommended that UNHCR review its priorities in order to ensure that sufficient resources are devoted to income-generating activities, with a view to increasing the fund-raising income.

336. Improving resource mobilization is now included as one of the global priorities in the new UNHCR corporate plan for 2007-2009.

337. **In paragraph 163**, the Board recommended that UNHCR adopt a basic template for global agreements with donors and refrain from signing agreements that are not in compliance with United Nations rules for staff, suppliers and audit arrangements.

338. UNHCR, like other agencies, is faced with the issue of divergent requests made by different donors. The Office will study the feasibility of adopting a basic template for global agreements in consultation with donors.

339. **In paragraph 225**, the Board recommended that UNHCR conduct an evaluation of its tsunami operations in order to apply lessons learned for future operations concerning natural disasters.

340. UNHCR will conduct an evaluation (operational review) to draw on the lessons learned for future operations linked to natural disasters. The operational review will take place during the second half of 2006.

341. **In paragraph 252**, the Board recommended that UNHCR improve its needs assessments for non-food supplies in order to minimize the stocks in the warehouse, optimize the use of the non-food supplies and redeploy unused stocks.

342. UNHCR is looking into ways to improve its contingency planning, including stock pre-positioning, in order to improve the quality and timing of the UNHCR response and to better manage resources. This has already been done for the recent East Timor emergency operations.

Time frames, office holders and priorities for implementation

343. With regard to time frames, office holders and priorities for implementation table VIII.1 shows the status of the 12 main recommendations made in the Board's report, and table VIII.2 shows the status of all recommendations. It should be noted that as a part of their annual exercise in preparation for their Executive Board meeting in September 2006, UNHCR is still in the process of establishing time frames for implementation.

Table VIII.1
Main recommendations — responsibilities and time frames

Department/office responsible	*Number of recommendations*	*Not accepted*	*Completed*	*Ongoing*	*Target date set*	*No target date*
Treasury/Division of Financial and Supply Management	5	0	0	0	1	4
Travel Unit/Division of Financial and Supply Management	1	0	1	0	0	0
Controller's Office	1	0	0	0	1	0
Private-sector fund-raising/Division of External Relations	1	0	0	0	0	1

Department/office responsible	*Number of recommendations*	*Not accepted*	*Completed*	*Ongoing*	*Target date set*	*No target date*
Office of Internal Oversight Services/UNHCR	1	0	0	0	0	1
Asia Bureau	1	0	0	0	1	0
Supply Management Service/Division of Financial and Supply Management	2	0	0	1	1	0
Total	**12**	**0**	**1**	**1**	**4**	**6**

Table VIII.2
All recommendations — responsibilities and time frames

Department/office responsible	*Number of recommendations*	*Not accepted*	*Completed*	*Ongoing*	*Target date set*	*No target date*
Division of Human Resources Management	1	0	1	0	0	0
Treasury/Division of Financial and Supply Management	13	0	0	0	1	12
Travel Unit/Division of Financial and Supply Management	2	0	1	0	0	1
Assets Management Unit/Division of Financial and Supply Management	3	0	0	1	0	2
Controller's Office	3	0	0	0	2	1
PCOS/DOS	1	0	0	1	0	0
Division of External Relations	11	0	0	1	0	10
Office of Internal Oversight Services/UNHCR	6	0	1	1	1	3
Distribution	7	0	0	1	0	6
Asia Bureau	5	0	0	1	1	3
Supply Management Service/Division of Financial and Supply Management	11	0	0	1	1	9
Inspector General's Office	1	0	0	1	0	0
Deputy Humanitarian Coordinator	1					1
Total	**65**	**0**	**3**	**8**	**6**	**48**

IX. Fund of the United Nations Environment Programme

General comments

344. The United Nations Environment Programme (UNEP) has accepted all 26 recommendations contained in the report of the Board of Auditors on the accounts of the Fund for the biennium ended 31 December 2005,[8] 10 of which (38 per cent) have been implemented. Responsibilities have been assigned for the remaining 16, and it is anticipated that 13 of them will have been implemented by the end of 2007. Two other recommendations, namely those contained in paragraphs 29 and 97, are of an ongoing nature and no target date has been set, and the recommendation contained in paragraph 88 is subject to discussion with the United Nations Secretariat.

Comments on specific recommendations

345. **In paragraph 24**, the Board recommended that the UNEP Regional Office for Latin America and the Caribbean coordinate with UNEP headquarters so that payments made on obligations are automatically entered in the Integrated Accounting and Budgeting System.

346. The recommendation has been implemented through the introduction of IMIS in the UNEP Regional Office for Latin America and the Caribbean.

347. **In paragraph 37**, the Board recommended that the Administration ensure that the amount appropriated and allotted for travel is proportionate to the travel activities required.

348. The Administration will make every effort to ensure that the amount appropriated and allotted for travel is proportionate to the travel activities required.

349. **In paragraph 42**, the Board recommended that the Administration ensure that reconciliation of the recorded figures is made as soon as the audited financial statements are available and process necessary adjustments accordingly.

350. UNEP accepts the recommendation and states that following the recommendation, the Administration has immediately reconciled the figures and processed necessary adjustments upon receipt of the audited financial statements.

351. **In paragraph 50**, the Board recommended that the UNEP Regional Office for Europe make representation with UNEP headquarters, the United Nations Office at Geneva and the United Nations Office at Nairobi, to rectify the overexpenditure incurred under the Technical Cooperation Trust Fund for Provision of Junior Professional Officers as at the end of the biennium 2004-2005.

352. Following the recommendation, the situation has been rectified and the expenditure was transferred to the appropriate funds pertaining to the Bishkek Global Mountain Summit project. Accordingly, the published accounts show a total income for the biennium for the Technical Cooperation Trust Fund for Provision of Junior Professional Officers of $263,000 against total expenditure of US$ 40,000 (see statement VIII).

[8] Ibid., *Supplement No. 5F* (A/61/5/Add.6), chap. II.

353. **In paragraph 55**, the Board recommended that the UNEP Regional Office for Latin America and the Caribbean coordinate closely with UNEP headquarters to provide project coordinators with adequate budgetary control.

354. The recommendation has been implemented through the introduction of IMIS in the UNEP Regional Office for Latin America and the Caribbean and monthly expenditure reporting to the programme coordinators by the Administration of the Office.

355. **In paragraph 58**, the Board recommended that the UNEP Regional Office for Latin America and the Caribbean seek from UNEP headquarters the formal designation of the Finance Assistant as cashier and the Administrative Assistant as petty cash custodian.

356. UNEP accepted the recommendation. The Administration of the UNEP Regional Office for Latin America and the Caribbean received from UNEP headquarters the formal designation of the Finance Assistant and the Administrative Assistant as cashier and petty cash custodian, respectively.

357. **In paragraph 61**, the Board recommended that the Administration require the Finance Assistant to issue official receipts, in line with rule 103.8 (a) of the Financial Regulations and Rules of the United Nations.

358. The recommendation has been implemented through the introduction of the Integrated Management Information System (IMIS), which facilitates direct adjustments through payroll as soon as UNEP headquarters is informed of the monies received.

359. **In paragraph 64**, the Board recommended that the UNEP Regional Office for West Africa (i) issue official receipts in strict numerical sequence to ensure that all collections were completely recorded and properly accounted for during the period in which they were actually collected; and (ii) secure an official authorization for the General Service Clerk as collecting officer in accordance with rule 103.8 of the Financial Regulations and Rules of the United Nations.

360. UNEP accepted the recommendation, and the Administration now issues official receipts in numerical sequence and will secure official authorization for the General Service Clerk (Finance Assistant) to act as collecting officer as soon as the post is filled.

361. **In paragraph 87**, the Board recommended that the UNEP Regional Office for Asia and the Pacific comply with (a) note 2 (l) (ii) of the notes to the financial statements in relation to paragraph 50 of the United Nations standby arrangements system (Revision VI), and (b) administrative instructions on the management of non-expendable property.

362. UNEP accepted the recommendation. The UNEP Regional Office for Asia and the Pacific has been advised by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) that an inventory of UNEP group items will be undertaken in August and September 2006 and that the situation in the UNEP Regional Office for Africa is being addressed as part of the UNEP headquarters-wide inventory management.

363. **In paragraph 92**, the Board recommended that the UNEP Administration (i) comply strictly with administrative instructions on hiring, remunerating and

evaluating the performance of consultants and individual contractors; and (ii) reprogramme the Integrated Accounting and Budgeting System to address the requirement concerning the form of the contract.

364. The recommendation has been implemented through the application of a checklist on recruitment and management of consultants and individual contractors.

365. **In paragraph 97**, the Administration informed the Board that it (i) had carried out an in-depth course evaluation focusing on assessing the impact of the training on individual and organizational efficiency; and (ii) would allocate funds for training in accordance with paragraphs 4.1 and 4.2 of administrative instruction ST/AI/1997/4.

366. UNEP accepted the recommendation. Training issues will also be tackled as part of the UNEP-wide development of training strategy and policy.

367. **In paragraph 101**, the Board recommended that the UNEP Regional Office for Asia and the Pacific ensure that e-PAS performance records were complete.

368. UNEP accepted the recommendation. The Administration has submitted to the e-PAS team of the Office of Human Resources Management for implementation a system enhancement whereby it would be impossible to electronically sign off without having completed the workplan in question.

369. **In paragraph 105**, the Board recommended that the UNEP Regional Office for Asia and the Pacific coordinate with UNEP headquarters in facilitating its recruitment process.

370. The recommendation will be implemented as part of UNEP-wide recruitment improvements.

371. **In paragraph 110**, the Board recommended that the UNEP Administration pursue initiatives to achieve the General Assembly's goal of 50:50 gender balance.

372. UNEP will pursue the initiatives to achieve gender balance at the rate of 2 per cent per annum as part of the human resources action plan signed by the Executive Director of UNEP and the Assistant Secretary-General of the Office of Human Resources Management.

373. **In paragraph 26**, the Administration agreed with the Board's recommendation that it prepare and submit a procurement plan to ESCAP to ensure effective and timely solicitation of bids or proposals, award of contracts and delivery of goods and services.

374. UNEP accepted the recommendation. The Administration informed the Board that it had prepared a procurement plan and submitted it to ESCAP on 2 February 2006.

375. **In paragraph 133**, the Board recommended that pending the setting up of the imprest fund system, the UNEP Regional Office for North America take action to renew the memorandum of understanding, incorporating in it the limitations and actual activities of the United Nations Information Centre in Washington, D.C., (UNIC) in order to clearly define the contractual obligations of the UNEP Regional Office for North America and UNIC and to provide a basis for payment of UNIC services.

376. The recommendation has been implemented through the introduction of IMIS in October 2005, after which the UNEP Regional Office for North America stopped using the services of UNIC with effect from January 2006.

377. **In paragraph 136**, the Board recommended that the UNEP Regional Office for North America coordinate with UNIC on the timely correction of errors and the submission of the list of cheques to facilitate the submission of the status of allotments to the United Nations Office at Nairobi.

378. The recommendation has been implemented through the introduction of IMIS in October 2005, after which the UNEP Regional Office for North America stopped using the services of UNIC with effect from January 2006.

Time frames, office holders and priorities for implementation

379. With regard to time frames, office holders and priorities for implementation, table IX.1 shows the status of the 13 main recommendations made by the Board in its report, and table IX.2 shows the status of all recommendations.

Table IX.1
Main recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*No target date set*
Office of the Deputy Executive Director	3		1	1	1	
Budget and Financial Management Service/United Nations Office at Nairobi	9		3	1	5	
Programme Coordination and Management Unit	1				1	
Total	**13**		**4**	**2**	**7**	

Table IX.2
All recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*Target date not set*
Office of the Deputy Executive Director	3		1	1	1	
Budget and Financial Management Service/United Nations Office at Nairobi	10		4	1	5	

Department responsible	Number of recommendations	Not accepted	Fully implemented	Under implementation		
				Ongoing	Target date set	Target date not set
Programme Coordination and Management Unit	2				2	
Regional Office for Europe	3		1		2	
Regional Office for Latin America and the Caribbean	2		1		1	
Regional Office for Asia and the Pacific	3		1		1	1
Regional Office for Africa	1				1	
Regional Office for North America	2		2			
Total	**26**		**10**	**2**	**13**	**1**

X. United Nations Population Fund

General comments

380. The United Nations Population Fund (UNFPA) has accepted all 42 of the recommendations contained in the report of the Board of Auditors on the accounts of the Fund for the biennium ended 31 December 2005.[9] Ten of the recommendations, namely those contained in paragraphs 51, 59, 79, 90, 94, 100, 150, 198, 201 and 203 are of an ongoing nature and therefore no target dates can be set for implementation. Target dates have been set for the remaining 32, all but 5 of which will be implemented during the biennium 2006-2007. Responsibility has been assigned for all outstanding recommendations, including those of an ongoing nature.

Comments on specific recommendations

381. **In paragraph 27**, the Board recommended that UNFPA reconsider its arrangements with UNDP for quarterly bank reconciliations with a view to having such reconciliations performed on a monthly basis.

382. The details of an effective reconciliation mechanism will be finalized with UNDP during 2006.

383. **In paragraph 74**, UNFPA agreed with the Board's recommendation to intensify follow-up action in respect of country offices that consistently fail to comply with the organizational directives regarding nationally executed expenditure audits.

[9] Ibid., *Supplement No. 5G* (A/61/5/Add.7), chap. II.

384. In response to paragraph 74, UNFPA states that the geographical divisions are actively following up on the receipt of audit reports.

385. **In paragraph 79**, the Board recommended that the audit report database for nationally executed expenditure be comprehensively updated and maintained so that the financial impact of the modified audit opinions can be quantified. The Board further recommended that UNFPA determine the resources needed to effectively maintain the database.

386. The newly implemented database is now fully functional.

387. **In paragraph 89**, the Board recommended that in connection with posts funded from project funds for staff who perform biennial support budget tasks, UNFPA should investigate the concerns raised and take corrective action where necessary.

388. Among other actions being taken, UNFPA is also drafting a staffing policy that, among other things, will specify which contract modalities to use under what circumstances.

389. **In paragraph 126**, the Board recommended that UNFPA address the incomplete annual reporting on performance results; and **in paragraph 128**, the Board recommended that UNFPA continue its efforts to improve the structure of the strategic results framework in order to achieve the organizational goals.

390. UNFPA reported to the Executive Board that there is a problem with attribution in terms of the present set of indicators. As part of the development of the next multi-year funding framework/medium-term strategic plan, UNFPA has engaged the Executive Board to provide a clearer set of indicators which will be discussed with Board members in a preliminary workshop in October 2006 and finalized for the board session to be held in September 2007.

391. **In paragraph 174**, the Board recommended to adhere to the time frames set out in the performance appraisal and development guidebook.

392. UNFPA has made efforts to sensitize senior managers to the risks associated with non-compliance. Those who are not in compliance will receive a letter of reprimand that underscores the implications of non-compliance.

393. **In paragraph 177**, the Board recommended that staff training on Atlas be enhanced.

394. Dedicated training on Atlas has been incorporated into every training programme organized for targeted staff. In addition, specific one-day sessions have been successfully organized for headquarter staff on various Atlas-related topics. By September 2006, a DVD providing an overview of Atlas functions will be issued to all country offices. In response to paragraph 188, UNFPA requests the Board to see its comment on paragraph 192 of its report regarding broadcast to all country offices offering guidance on leave monitoring and management.

395. **In paragraph 190**, the Board recommended that UNFPA perform reasonable advance planning, management flexibility and proper succession planning across all of its units in order to avoid the forfeiture by staff of excess leave and to improve the control environment.

396. UNFPA notes that it is the responsibility of all supervisors and managers to ensure proper work planning and exercise flexibility so that staff do not lose their leave entitlements. UNFPA was also of the view that leave management is not related to succession planning but is a matter of good management practices being applied to ensure that staff can take the leave to which they are entitled.

397. **In paragraphs 188 and 192**, the Board recommended that UNFPA improve controls in respect of the leave administration process by formalizing standard leave practices across the organization; and the Board recommended that UNFPA take measures to ensure that the leave administration systems provide accurate data in order to determine an appropriate contingency for leave liability.

398. Until such time as Atlas-Wave 2 is implemented, UNFPA will issue a broadcast instruction to all country offices to provide guidance and underscore the importance of accurate leave monitoring and management. In addition, the training for operations managers will include a specific session on leave monitoring.

Time frames, office holders and priorities for implementation

399. With regard to time frames, office holders and priorities for implementation, table X.1 shows the status of the 16 main recommendations made by the Board in its report, and table X.2 shows the status of all recommendations.

Table X.1
Main recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*Target date not set*
Division of Management Services	7			1	6	
Division of Oversight Services	5			2	3	
Division of Human Resources	3			1	2	
Information, Executive Board, and Resource Mobilization Division	1				1	
Total	**16**			**4**	**12**	

Table X.2
All recommendations — responsibilities and time frames

Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Under implementation*		
				Ongoing	*Target date set*	*Target date not set*
Division of Management Services	19			7	12	
Division of Oversight Services	6			1	5	
Division of Human Resources	8				8	
Strategic Planning Office	3				3	
Information, Executive Board, and Resource Mobilization Division	1				1	
All divisions/ country offices	5			2	3	
Total	**42**			**10**	**32**	

XI. United Nations Human Settlements Programme

General comments

400. The United Nations Human Settlements Programme (UN-Habitat) has accepted 17 of the 18 recommendations contained in the report of the Board of Auditors on its accounts for the biennium ended 31 December 2005.[10] Of those, 47 per cent have already been implemented and of the remaining nine, eight will be implemented by the end of the current biennium. The approach to implementing the remaining recommendation, contained in paragraph 98, is under review.

Comments on specific recommendations

401. **In paragraph 22**, the Board recommended that the Administration ensure that the Budget and Financial Management Service of the United Nations Office at Nairobi adjust the inappropriate entries to the deferred charges account.

402. In response to paragraph 22, UN-Habitat comments that the recommendation is in progress. Most of the amounts have been cleared. The Budget and Financial Management Service of the United Nations Office at Nairobi is in the process of reconciling the account.

[10] Ibid., *Supplement No. 5H* (A/61/5/Add.8), chap. II.

403. **In paragraph 25**, the Board recommends that the Administration conduct an inventory of expendable items as at the end of the biennium and account for as well as disclose them pursuant to paragraph 49 (iv) of the United Nations system accounting standards.

404. In response to paragraph 25, the recommendation is not accepted for the following reasons: (a) the Procurement, Travel and Shipping Service of the United Nations Office at Nairobi, on behalf of UN-Habitat, conducts an annual inventory of all expendable items; and (b) from the viewpoint of the Budget and Financial Management Service, paragraph 49 (iv) of the United Nations system accounting standards on disclosure of inventories as assets rather than non-expendable property does not apply, since all expendable items are expensed on purchase and reported as expenditure, in line with paragraph 38 of the United Nations system accounting standards. Our interpretation is that only pursuant to paragraph 38 of the United Nations system accounting standards can disclosure of expendable items be made. Kindly note that the reason that non-expendable property is not included in paragraph 49 (iv) of the United Nations system accounting standards is because it is also expensed in line with paragraph 43 of the United Nations system accounting standards. However, Other assets, including deferred charges, will be disclosed in line with paragraph 49 (iv) of the United Nations system accounting standards, as applicable.

405. **In paragraph 33**, the Administration agreed with the Board's recommendation that it make the necessary adjustments in note 8 to the financial statements in respect of those vehicles reported as disposed of but actually in operating condition and one piece of equipment pending write-off and awaiting disposal.

406. UN-Habitat notes that this will be done and the adjustments reflected when the financial statements for 2006 are prepared.

Time frames, office holders and priorities for implementation

407. With regard to time frames, office holders and priorities for implementation, table XI.1 shows the status for the 10 main recommendations made by the Board in its report, and table XI.2 shows the status of all recommendations.

Table XI.1
Main recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*Target date not set*
Division of Administration, United Nations Office at Nairobi	4	1			2	1
Regional and Technical Cooperation Division, UN-Habitat	6		4		2	
Total	**10**	**1**	**4**		**4**	**1**

Table XI.2
All recommendations — responsibilities and time frames

Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Under implementation*		
				Ongoing	*Target date set*	*Target date not set*
Division of Administration, United Nations Office at Nairobi	5	1			3	1
Regional and Technical Cooperation Division, UN-Habitat	13		8		5	
Total	**18**	**1**	**8**		**8**	**1**

XII. Fund of the United Nations International Drug Control Programme

General comments

408. The United Nations Office on Drugs and Crime (UNODC) has accepted all the recommendations addressed to them with the exception of those contained in paragraphs 37, 66, 83 and 113 of the report of the Board of Auditors on the accounts of the Office for the biennium ended 31 December 2005.[11] Explanations regarding those four paragraphs are included under the comments on specific recommendations. Eleven recommendations, namely those contained in paragraphs 32, 39, 49, 55, 58, 62, 64, 74, 96, 105 and 122, are of an ongoing nature and therefore no target dates can be set for implementation. Out of the remaining 16 recommendations, 50 per cent have already been implemented, namely the eight recommendations contained in paragraphs 52, 76, 87, 100, 107, 116, 127 and 129. The remaining eight will be implemented during the biennium 2006/07. Responsibility has been assigned for all outstanding recommendations, including those of an ongoing nature.

Comments on specific recommendations

Geographical distribution of staff

409. **In paragraph 32**, the Board recommended that UNODC increase its efforts to achieve a more balanced geographical distribution of staff.

410. The United Nations Office at Vienna/UNODC agrees with the recommendation, the implementation of which is of an ongoing nature. The United Nations Office at Vienna/UNODC continues its efforts to achieve a more balanced geographical distribution of staff and has been regularly briefing programme managers regarding this requirement. This is also one of the indicators monitored

[11] Ibid., *Supplement No. 5I* (A/61/5/Add.9), chap. II.

through the human resources action plan of the Office of Human Resources Management.

Accounting policy for voluntary contributions

411. **In paragraph 37**, the Board recommended that UNODC correctly reflect income not on the basis of the size of the contributions but in line with its accounting policy to make it consistent with the United Nations system accounting standards.

412. UNODC wishes to reiterate, as already conveyed to the Board, that UNODC believes that it correctly reflected income in line with its accounting policy, which is consistent with the United Nations system accounting standards. This is evidenced by the fact that the Board itself has not objected to the consistent application of this policy in the past. As regards determining the materiality of contributions received in advance for the purposes of deferral, UNODC is of the belief that this is a practical matter of fact and not the definition of some hard-and-fast rule.

Contributions in kind

413. **In paragraph 39**, the Board indicated that UNODC had taken action on 2 May 2006 to put in operation the Board's recommendation to ensure that field offices retain supporting documents for contributions in kind and to implement internal control procedures to estimate the fair value of contributions in kind before their disclosure in the financial statements.

414. The implementation of the recommendation is ongoing and will be put into practice in the interim financial statements for 2006. The database has been modified to make the justification of UNODC valuation mandatory.

Contributions receivable

415. **In paragraph 43**, the Board indicated that UNODC agreed with the Board's recommendation to define a write-off policy of its long-outstanding receivables and clear its old outstanding accounts receivable.

416. Implementation is ongoing and is expected to be put into practice in the course of 2006.

Fund-raising activities for non-earmarked funds

417. **In paragraph 49**, the Board recommended that UNODC pursue its efforts to increase contributions to finance the general-purpose funds.

418. UNODC agrees with the recommendation and implementation is ongoing. An informal major donors' meeting was held on 11 July 2006 to present and discuss the general-purpose funding situation. Most major donors have indicated that they would maintain or increase their contributions to the general-purpose funds in 2006. UNODC is also in contact with some major donors, which previously were not in a position to contribute, to resume their support to the general-purpose funds. In addition, some successful efforts were made with the so-called emerging and national donors to contribute more to the general-purpose funds. As at the end of June 2006, a $1.7 million increase in general-purpose income is projected, compared with March 2006, while further efforts are ongoing.

Reconciliation between databases

419. **In paragraph 55**, the Board indicated that UNODC agreed with the Board's recommendation to adjust both information systems to avoid further discrepancies in expenditures.

420. The implementation of the recommendation is ongoing. As was already explained to the Board, the Programme and Financial Information Management System (ProFi) is the only reporting tool used for the preparation of the financial statements for the Fund of the United Nations International Drug Control Programme. The entries in IMIS are only for headquarters-based implementation and data on expenditure are downloaded every day from IMIS to ProFi. The discrepancy indicated by the Board relates to the programme support costs. IMIS calculates only once per month on the basis of the percentage entered in each allocation/amendment entered into IMIS. The system prorates the programme support cost percentage in case of erroneous entry, resulting in non-reconcilable figures. It is therefore decided that for the Fund of the United Nations International Drug Control Programme, and as from 2007, only substantive budget line allotments, without the programme support cost, will be entered into IMIS and will be reconciled with substantive budget line information in ProFi. In ProFi, which is used for the preparation of the financial statement, the system calculates daily by project segment the programme support cost on the basis of information set in the chart fields.

Programme expenditure

421. **In paragraph 58**, the Board recommended that UNODC increase its project audit coverage of nationally executed expenditures with a view to ensuring the timely receipt of audit certificates.

422. UNODC agrees with the recommendation and its implementation is an ongoing process. It is expected that all the required audit reports for 2006 covering nationally executed projects will have been submitted by the end of 2006.

Advances to be recovered

423. **In paragraph 60**, the Board indicated that UNODC agreed with the Board's recommendation to improve financial closure of completed projects.

424. The implementation of this recommendation is ongoing. UNODC is in the process of reviewing long-outstanding completed projects with the aim of closing them financially and clearing long-outstanding advances. This exercise will be completed by the end of 2006.

425. **In paragraph 62**, the Board recommended that UNODC continue to closely monitor the implementation of its operations so as to detect and correct any discrepancy in expenditure reports.

426. UNODC agrees with the recommendation. Because of the ongoing efforts of UNODC in this regard, the discrepancy is rather minor at this stage and was brought to the attention of UNDP by UNODC and discovered during the regular reconciliation of accounts with UNDP. This is an ongoing activity between the two organizations and is part of the process of keeping the accounts current and correct.

Unfunded projects

427. **In paragraph 64**, the Board commended UNODC for the results already achieved and recommended that it continue its efforts in this regard.

428. As a result of the measures taken, the ratio of projects unfunded or partially funded, compared with the total number of projects, constantly decreased during the biennium (from 57 per cent in 2004 to 48 per cent by the end of 2005). The decrease was especially significant for crime projects, which dropped from 97 per cent to 54 per cent. Similarly, in terms of volume, the unfunded part of the total approved programme budget was reduced from 31 per cent in 2004 to 25 per cent in 2005. The implementation of this recommendation is an ongoing process.

Unliquidated obligations

429. **In paragraph 66**, the Board recommended that external auditors of nationally executed expenditures refer explicitly to United Nations accounting standards to ensure that audited expenditures include disbursements and unliquidated obligations.

430. UNODC disagrees with the recommendation. Expenditures on nationally executed projects are recorded on a cash basis in accordance with UNDP procedure. Therefore, audits of nationally executed projects will continue to be based on the disbursements reported in the combined delivery reports for those projects.

Accrued interest from the euro cash pool

431. **In paragraph 71**, the Board indicated that UNODC agreed with the Board's recommendation to account correctly for accrued interest on the Euro cash pool.

432. UNODC agreed with this recommendation subject to its acceptance also by the United Nations Secretariat, under whose authority its implementation lies.

Opening of bank accounts

433. **In paragraph 74**, the Board indicated that UNODC agreed with the Board's reiterated recommendation to (a) comply with the rules concerning the opening of bank accounts, (b) improve the monitoring of the situation at the level of field offices.

434. UNODC agrees with the recommendation and its implementation is an ongoing activity.

Liabilities for end-of-service and post-retirement benefits

435. **In paragraph 80**, the Board indicated that UNODC agreed with the Board's recommendation to ensure that its reserves cover the total of all after-service liabilities.

436. UNODC has now received information on the actuarial valuation, which shows that the potential liability will substantially exceed available reserves. UNODC will follow procedures established by the Secretariat in this regard.

Non-expendable property

437. **In paragraph 83**, the Board recommended that UNODC conduct regular physical inventory counts at headquarters.

438. As already indicated in the report, UNODC does not agree with the recommendation for reasons already mentioned in that report.

Procurement

439. **In paragraph 91**, the Board indicated that UNODC agreed with the Board's recommendation to establish procurement plans.

440. The implementation of this recommendation is in progress. After the summer recess period, the Commercial Operations Unit will meet with the respective directors and senior managers to institute regular procurement meetings designed to produce workload forecasts.

Tender committee

441. **In paragraph 96**, the Board indicated that UNODC agreed with the Board's recommendation to strictly comply with provisions of the Procurement Manual.

442. The implementation of this recommendation is an ongoing process.

Advertisement

443. **In paragraph 98**, the Board indicated that UNODC agreed with the Board's recommendation to develop advertisements to invite potential vendors to bid.

444. The implementation of this recommendation is in progress. The Commercial Operations Unit is designing a procedure to advertise all its procurement activities on the home page and to make the vendor community aware of the process.

Policies and compliance

445. **In paragraph 103**, the Board recommended that UNODC develop, complement or update the policies that address the management of the risk of electronic misconduct by consulting policy templates.

446. UNODC agrees with the recommendation; implementation has not yet started.

447. **In paragraph 105**, the Board recommended that UNODC review its security policies every year to determine whether they continue to properly address risks.

448. UNODC agrees with the recommendation; implementation has not yet started.

Building protective features into computer systems

449. **In paragraph 110**, the Board indicated that UNODC agreed with the Board's recommendation to implement formal practices to ensure that security is given due attention in the design, development and/or customization of applications and databases.

450. UNODC agrees with the recommendation; implementation has not yet started.

451. **In paragraph 113**, the Board recommended that UNODC conduct tests with password-breaking software in the immediate future to determine whether reliance on passwords provides an adequate level of security.

452. The recommendation is not accepted. UNODC does not consider that login name/password provides significant security.

Independent Evaluation Unit

453. **In paragraph 122**, the Board recommended that UNODC develop achievement indicators aimed at measuring the direct effects of the technical cooperation projects and activities implemented in line with the regulations and rules governing programme planning.

454. UNODC agrees with the recommendation. Its implementation is currently ongoing. Within the framework of the introduction of results-based management and in conjunction with the work on the mid-term strategy, UNODC, in consultation with Member States and accredited non-governmental organizations, is developing the main objectives, key results and key indicators. A number of key indicators, although of a programmatic nature, will be based on information provided through technical cooperation projects and activities. Furthermore, within the framework of the project-cycle management, the issue of impact assessment and the adoption of a set of standards for impact assessment measures will be pursued. Therefore, on both the project/activity and the organizational strategic levels, focused efforts towards results orientation and performance measurements are well under way. A series of workshops for staff and management at headquarters and field offices will provide for building both the culture and skills necessary for implementation and monitoring. It is expected that the mid-term strategy will be endorsed in early 2007 and that the accompanying biennium business plan, including results-linked projects, will be put in place.

455. **In paragraph 129**, the Board recommended that the United Nations Secretariat include all staff members in future reports on liaison offices.

456. The Board's observations and recommendation on this issue are incorrect. The report of the Secretary-General being referred to by the Board of Auditors (A/59/395) responded specifically to the request contained in paragraph 47 of General Assembly resolution 58/270 that the Secretary-General review the structure and functions of all liaison or representation offices in New York of organizations headquartered elsewhere funded from the regular budget and to report to the Assembly on possibilities for improving their effectiveness. The Board's observation is understood to require information on all the posts and level of staff of UNODC, including those funded from extrabudgetary resources, which is contrary to the specific mandate of the General Assembly. Furthermore, the Board should also note that when the item was considered by the Advisory Committee on Administrative and Budgetary Questions, the latter was provided with information on all the posts and level of staff of UNDOC and other offices, including those funded from extrabudgetary resources (see A/59/552, para. 2).

457. Finally, the Board should also note that in its decision 59/556 of 13 April 2005, the General Assembly took note of the report of the Secretary-General (A/59/395) and the related report of the Advisory Committee.

Time frames, office holders and priorities for implementation

458. With regard to time frames, office holders and priorities for implementation, table XII.1 shows the status of the first eight recommendations made by the Board in its report, and table XII.2 shows the status of all recommendations.

Table XII.1
Main recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*Target date not set*
Division for Management	7	1		4	1	1
Division for Policy Analysis and Public Affairs	1			1		
Total	**8**	**1**		**5**	**1**	**1**

Table XII.2
All recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*Target date not set*
Division for Management	26	4	6	9	2	5
Division for Policy Analysis and Public Affairs	3		1	2		
Department of Management, United Nations Secretariat	2		1			1
Total	**31**	**4**	**8**	**11**	**2**	**6**

XIII. International Criminal Tribunal For Rwanda

General comments

459. The International Criminal Tribunal for Rwanda has accepted all 33 recommendations contained in the report of the Board of Auditors on the accounts of the Tribunal for the period ended 31 December 2005.[12] Of these, 8 (24 per cent) have been implemented and 14 are targeted for implementation by the end of 2006. The remaining 11, namely those contained in paragraphs 41, 44, 67, 91, 92, 112,

[12] Ibid., *Supplement No. 5K* (A/61/5/Add.11), chap. II.

119, 120, 125, 129 and 136, are of an ongoing nature and therefore no target dates can be set for their implementation.

Comments on specific findings and recommendations

460. **In paragraphs 22 and 23**, the Board made reference to administrative instructions governing the administration of education grants and travel advances.

461. The Tribunal wishes to emphasize that systems are in place to ensure compliance with the administrative instructions.

462. **In paragraph 82**, the Board recommended that the Tribunal comply with the Procurement Manual with regard to the principle of equality and fair treatment of all prospective vendors.

463. The Tribunal accepts the recommendation and considers it completed. The recommendation refers to minutes from the Local Contracts Committee meeting No. ICTR/LCC/05/03, which was the submission of a bid for cleaning and janitorial services in Arusha. The bid was later reissued and presented to Local Contracts Committee meeting No. ICTR/LCC/06/01 as case 3, based on new terms of reference. The bid was recommended by the Committee. The new terms of reference were based on similar work undertaken in other missions and did not require further information from bidders.

464. **In paragraph 83**, the Board further recommended that the Tribunal, in consultation with the Office of Internal Oversight Services, investigate contracts that may have been awarded under similar circumstances.

465. The Tribunal accepts the recommendation and notes that no other contracts have been awarded under similar circumstances.

466. **In paragraph 87**, the Board recommended that vendors be requested to provide evidence of the insurance coverage taken out, upon the signing of the contract, as stipulated in the contracts.

467. The Tribunal accepts the recommendation and considers it implemented. Proof of insurance is being collected for all contracts.

468. **In paragraph 88**, the Board recommended that the Tribunal request from vendors with existing contracts proof of insurance coverage.

469. The Tribunal accepts the recommendation and considers it implemented. Proof of insurance coverage is being collected for all contracts.

470. **In paragraph 95**, the Board recommended that the Tribunal perform supplier evaluations of existing vendors prior to extending or renewing a contract with the same vendor.

471. The Tribunal accepts the recommendation and states that it is 75 per cent implemented.

472. **In paragraphs 106 and 107**, the Board recommended that the Tribunal, in consultation with the United Nations Procurement Service and the Inter-Agency Procurement Working Group, expedite the introduction of consistent directives on procurement ethics, including with regard to declarations of independence for all staff involved in the procurement process; and that the Tribunal require its staff members associated with the procurement process to sign a declaration that they have read, fully understand and will abide by the contents of section 4 of the

Procurement Manual, as an interim measure until the finalization and implementation of the plain-language guidelines for the implementation of the essential ethical principles for United Nations staff.

473. The Tribunal accepts the recommendations and has implemented them in compliance with directives issued by the United Nations Procurement Service.

474. **In paragraph 147**, the Board recommended that, regarding security allowance, the Tribunal conduct random checks at staff members' residences to ensure that the security allowances paid to them were justified. It was further recommended that periodic reviews be conducted to ensure that allowances were in line with prevailing local conditions.

475. The Tribunal accepts the recommendation and has implemented it as a routine task directed by the Chief of the Security and Safety Service.

Time frames, office holders and priorities for implementation

476. With regard to time frames, office holders and priorities for implementation, table XIII.1 shows the status of the 13 main recommendations made by the Board in its report, and table XIII.2 shows the status of all recommendations.

Table XIII.1
Main recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*Target date not set*
Division of Administrative Support	10		2	3	5	
Judicial and Legal Services Division, Defence Counsel and Detention Management Section	3			2	1	
Total	**13**		**2**	**5**	**6**	

Table XIII.2
All recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*Target date not set*
Division of Administrative Support	27		7	9	11	
Judicial and Legal Services Division	6		1	2	3	
Total	**33**		**8**	**11**	**14**	

XIV. International Tribunal for the Former Yugoslavia

General comments

477. The International Tribunal for the Former Yugoslavia has accepted 10 of the 11 recommendations contained in the report of the Board of Auditors on the accounts of the Tribunal for the period ended 31 December 2005,[13] 5 of which have been fully implemented. The Tribunal is making every effort to implement all the recommendations; however, due to the ongoing nature of 5 of the recommendations or the need to await a decision of the General Assembly, no precise target dates can be set for implementation.

478. With regard to the Board's statement on the financial implications of the introduction of a retention bonus, the Tribunal wishes to clarify that it has in fact made all the necessary calculations and can confirm that the report on the financial implications of the retention bonus has been finalized by the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda. The matter is under review by the Office of Programme Planning, Budget and Accounts with a view to issuing the document sometime during September 2006.

Comments on main recommendations

479. **In paragraph 20**, the Board recommended that the Secretariat provide comments on exchange rate fluctuations in the financial report that should accompany the financial statements.

480. The Office of Programme Planning, Budget and Accounts has agreed with the recommendation to include the effect(s) of currency fluctuation starting the next financial report.

481. **In paragraph 28**, the Board reiterated its concern about the effective ability of the Tribunal to honour its commitments for end-of-service and post-retirement benefits.

482. The issue has been brought to the attention of the General Assembly. The Tribunal continues to work with the Department of Management on issues relating to after-service health insurance benefits (a recent actuarial report has been issued) and it will continue to monitor and take appropriate action. The Tribunal is not currently in a position to report on the full implementation of the recommendation until the General Assembly considers the matter and advises on how to proceed (for example, relating to financing).

483. **In paragraph 35**, the Board noted the actions undertaken by the Tribunal to complete its work by 2010. However, the Board is concerned that the 2010 target date may not be achievable due to the pace of the Tribunal activity and therefore recommends that the Tribunal reinforce its actions to complete its activities by the target date.

484. The Tribunal accepts this recommendation. In his latest presentation to the Security Council, the President once again reiterated that the Tribunal remained fully committed to its completion strategy and would continue to do all in its power

[13] Ibid., *Supplement No. 5L* (A/61/5/Add.12), chap. II.

to discharge its mandate as effectively as possible. To that end, a number of concrete measures have been adopted to accelerate pretrial, trial and appeal proceedings (including, inter alia, the amendments to the Rules of Procedure and Evidence initiated by the Working Group on Speeding up Appeals and the Working Group on Speeding up Trials and the joinder of related indictments to allow for the conduct of trials of multiple accused). However, there are a number of external factors, such as the cooperation of Member States in the arrest of fugitives, the capacity of the judiciaries in the States of the former Yugoslavia to accept the transfer of cases and other circumstances beyond the Tribunal's control, such as illness of Counsel or an accused, which have a direct impact on the pace of trial activity and, consequently, the Tribunal's ability to meet the dates of the completion strategy. Regardless, the Tribunal will continue to do all it can to demonstrate its commitment to the time frame of the completion strategy while ensuring that its trial and appeal proceedings conform to the highest standards of international due process.

485. **In paragraph 47**, the Board recommends that the Tribunal ensure equal treatment of the two working languages.

486. With respect to French translations, the Tribunal has redeployed resources in order to recruit additional French-language staff. It is important to note that all Professional vacancy announcements are issued in both English and French, with no exceptions. All attempts are made to ensure that the official documents relating to the courts are produced in both languages.

Comments on specific findings and other recommendations

487. **In paragraph 17**, the Board notes that progress has been made in reducing the level of unpaid contributions (see General Assembly resolution 58/253, para. 3) during the 2004-2005 biennium and encourages the Tribunal to continue its efforts to ensure timely receipt of contributions from the Member States concerned.

488. The Tribunal will continue its efforts in that regard. Those efforts include public speeches by the President and Prosecutor, and written appeals by the Registrar are fully documented and have been provided to the Board of Auditors.

489. **In paragraph 24**, the Tribunal agreed with the Board's recommendation to make a more realistic estimate and to amend its financial statements accordingly

490. The Tribunal has consulted the Accounts Division of the Office of Programme Planning, Budget and Accounts, and the financial statements have been amended accordingly.

491. **In paragraph 39**, the Board recommended that the Tribunal improve recovery of funds due from personnel.

492. During the 2004-2005 biennium, the Tribunal has made great improvements in accounts receivable, specifically with respect to former employees and their outstanding receivables. The Tribunal has reviewed its existing procedures and has now improved its controls relating to departing staff with respect to final salary and payment of emoluments. The Tribunal considers this recommendation to be fully implemented.

493. **In paragraph 42**, the Board recommended that the Tribunal update regularly the provisions for repatriation allowances to avoid their overstatement.

494. The Payroll Unit is already working with the Staff Administration Unit to follow up with former staff to determine the validity of the accrual of the repatriation grant. The Tribunal considers this recommendation to be fully implemented.

495. **In paragraph 52**, the Board recommended that the Tribunal make more effective use of the space provided.

496. The Tribunal concurs with the recommendation that owing to an excess of space in the Sarajevo office, the Tribunal, as the custodian of the building, is using more space than actually needed. However, it has always been the Tribunal's position that should additional tenants be found, it could occupy less office space. The current savings would be offset by returning the unused portion to the communal pool, which would increase the common charges. Moreover, the Tribunal has decided to remain on the same floor of Sarajevo House that it presently occupies mainly for security reasons. To relocate into only two wings of the floor would require renovations, which may not be cost-effective.

497. **In paragraphs 54 and 57**, the Tribunal agreed with the Board's reiterated recommendation to make particular efforts to further the recruitment and promotion of women to senior positions, and the Tribunal agreed with the Board's recommendation to endeavour to achieve equitable geographical representation of staff.

498. The Tribunal concurs with both of the recommendations and it will continue to give particular attention to those matters in its recruitment and promotion exercises.

Time frames, office holders and priorities for implementation

499. With regard to time frames, office holders and priorities for implementation, table XIV.1 shows the status of the four main recommendations made by the Board in its report, and table XIV.2 shows the status of all 11 recommendations.

Table XIV.1
Main recommendations — responsibilities and time frames

				Under implementation		
Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Ongoing*	*Target date set*	*Target date not set*
Division of Administrative Support	3	0	2	1	0	0
Registrar	1	0	0	1	0	0
Total	**4**	**0**	**2**	**2**	**0**	**0**

Table XIV.2
All recommendations — responsibilities and time frames

Department responsible	*Number of recommendations*	*Not accepted*	*Fully implemented*	*Under implementation*		
				Ongoing	*Target date set*	*Target date not set*
Division of Administrative Support	7	1	5	1	0	0
Registrar	2	0	0	2	0	0
Registrar and Division of Administration	2	0	0	2	0	0
Total	**11**	**1**	**5**	**5**	**0**	**0**